EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,900 | Friday July 21 1989 | D 8523A

LOMBARD
When Greens go too far
Page 21

World News

Washington welcomes election of Jaruzelski

The Bush administration in Washington welcomed the election of General Wojciech Jaruzelski as Poland's President, and warned Solidarity of the need to accept sacrifices.

Parliamentary representatives of the trade union acknowledged that its leaders helped elect General Jaruzelski to lead the *country for the next* six years. Page 22. US reaction, Page 6

Euro-fighter conflict

Conflict-ridden four-nation European Fighter Aircraft (EFA) project looks likely to be based around two different models after differences between Britain and West Germany over the aircraft's radar system. Page 2

Environment envoy

Australia's Labor government has appointed an international "Ambassador for the Environment". Page 4

Pilot saved 170

A veteran pilot's skill was credited with saving the lives of more than 170 people in the crash of a crippled US DC-10 in which 115 other passengers may have died.

Genscher in hospital

Mr Hans Dietrich Genscher, 62, the West German Foreign Minister, suffered a mild heart attack and was taken to hospital in Bonn, his ministry said.

Burmese gag bid

Burmese military regime sought to silence the country's most persistent advocate of democratic change by placing Aung San Suu Kyi, secretary general of the National League for Democracy, under house arrest. Page 4

Mexican poll claim

Mexico's opposition Democratic Revolution (PRD) party claimed to have beaten the ruling Institutional Revolutionary Party (PRI) by 15 per cent in Michoacan. Page 6

Poindexter charges

Lawrence Walsh, independent prosecutor in the Iran-Contra trials, asked a federal judge to dismiss the most serious charges against retired Admiral John Poindexter. Page 6

Shamir-Sharon clash

Prime Minister Yitzhak Shamir of Israel and hawkish rival Ariel Sharon have clashed over talks with Palestinians on an Israeli plan for elections in the occupied territories.

Siberian explosion

Train carrying a cargo of military explosives blew up as it travelled through south-western Siberia, killing two members of the escort and injuring another.

Algerian reform

Algeria's National Assembly adopted a landmark electoral law paving the way for the first multi-party elections since independence in 1962.

China condemns US

China has condemned calls by the US Congress for further sanctions as interference in its internal affairs and a deliberate attempt to damage Chinese-US relations. Page 4

Moi in Mozambique

President Daniel arap Moi of *Kenya is to visit Mozambique,* where he has offered to mediate between rebels and the Government.

Business Summary

World Court rejects claim over Italian takeover

The World Court (International Court of Justice) rejected a *US claim that Italy illegally* "requisitioned" an American company's subsidiary and must pay more than $12.7m in compensation.

In a 4-1 decision the Court ruled Italy did not breach a 1948 treaty with the US when it requisitioned Elettronica Sicula in 1968. Page 22

HONG KONG's two leading Chinese-born entrepreneurs are submitting secret tenders for a prime development project which will be a key test of confidence in the colony's future. Page 22

MINNESOTA Mining and Manufacturing, widely diversified technology company whose operations are a good indicator of the state of US industrial economy, reported a deceleration in earnings. Page 23

ELF Aquitaine, French energy group which is attempting to complete its $1bn agreed takeover of Pennwalt, US special chemicals producer, said the Federal Trade Commission had agreed to postpone anti-trust action against the merger. Page 26

JMB Realty Corporation of Chicago moved close to winning control of Randsworth Trust, British property investment company, after making a recommended offer worth £258m and a foray into the market for stock. Page 23

VOLKSWAGEN, West German car manufacturer, is raising its first-ever borrowing in the Euroloans market, a seven-year $1bn revolving credit facility arranged by Morgan Guaranty. Page 28

AT&T, American Telphone & Telegraph, reported a surge in second quarter profits. Page 23

AFRICAN, Caribbean and Pacific (ACP) group are dissatisfied with what they are getting out of negotiations with the European Community for a fourth Lomé Convention. Page 3

BANKAMERICA, US bank, announced record earnings for the second quarter. Page 26

BANCO Do Brasil, government-owned commercial bank, announced its worst first half figures in its history. Page 26

JORDAN'S creditors have agreed to reschedule an estimated $700m of its government debt. Page 4

MACK Trucks, US heavy truck maker in which Renault of France has a significant stake, suffered a loss in the second quarter. Page 26

PHELPS Dodge, US copper producer, said high metal prices played a large part in an improvement in second-quarter earnings. Page 26

INDIAN Government plans to set up a Board for Foreign Investment in a bid to encourage the inflow of funds from abroad. Page 4

DOW Chemical, second largest US chemicals company, which signed a merger agreement with Marion Laboratories, reported strong sales and earnings results for the second quarter. Page 26

WEST Germany's money supply growth slowed down further last month. Page 2

WORLD Bank procurement business won by British exporters fell to $710m in the year to June 30. Page 3

MERCK, US drug company which is one of the heaviest investors in pharmaceuticals research, reported a 25 per cent increase in profits for the second quarter.

Page 26

NatWest censured over role in Blue Arrow affair

By David Lascelles, Banking Editor, in London

THE SEVEREST public criticism ever made of a British bank was directed yesterday at National Westminster, and County NatWest, its investment banking arm, by the country's Department of Trade inquiry into their role in the Blue Arrow affair.

The long-awaited report detailed a catalogue of deceit, incompetence and deliberate disregard for the law in their handling of Blue Arrow's failed rights issue in 1987.

Several senior banking executives, including three main board directors of NatWest, are specifically blamed for failing in their duty, and NatWest itself is accused of disregarding its own standards of integrity and propriety.

While the two inspectors, Mr Michael Crystal QC, and Mr David Spence, stop short of recommending prosecution of those involved, their report is being passed to the Serious Fraud Office, which will decide whether to take further action. It is also being sent to the Bank of England and stock exchange, regulators of different parts of NatWest group.

The inspectors also point at failings in UK company law which enabled it to be abused by those involved with Blue Arrow, and they recommend ways these could be corrected.

The 221-page report was released yesterday by Lord Young, the Secretary for Trade and Industry, less than a week after he received it. It was rushed out at the request of both the Bank of England and NatWest which were anxious to quell the speculation which has damaged the UK's second largest clearing bank group since the Blue Arrow scandal burst more than a year ago.

Lord Boardman, NatWest chairman, said his bank accepted that "serious errors were made" and this was a matter of great regret. But he stressed that NatWest had taken action to improve management and tighten compliance with the law.

Although much of the report is a detailed account of the events of 1987, its final conclusions are blunt and clear.

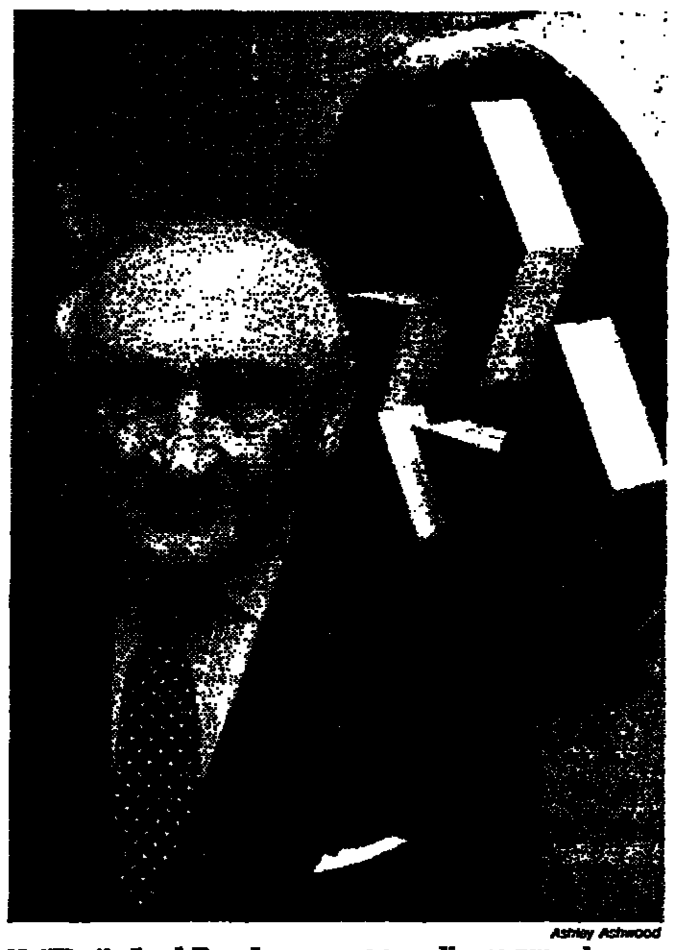
These are that:

- "...The events referred to in this report give rise to concern. The market was misled. Provisions of the Companies Act 1985 were not complied with. There was no justification for what happened;
- "...The relevant law is in an unsatisfactory state. In this report we have recommended to the Secretary of State for Trade and Industry that appropriate changes be made;
- "...the NatWest group informed us that all possible steps were being taken to ensure that all investment banking activity within the NWB group would be carried out to high standards of integrity and propriety. The matters referred to in this report disclose a highly unsatisfactory state of affairs. It is therefore important that all necessary steps are taken by the NWB group to fulfil its objectives."

The Blue Arrow affair erupted after the company launched a bid for Manpower, the largest US employment services company, in August 1987. The £837m ($1.35bn) rights issue to finance it flopped. However, the underwriters, County NatWest, and brokers to the issue, Phillips & Drew, concealed its failure by taking a large portion of the unsold shares on to their books.

County dispersed its own holding in Blue Arrow among differents parts of the bank in separate stakes, each of which was below the 5 per cent level

Continued on Page 22
Background, Page 12; Editorial Comment, Page 20; Lex, Page 22; London Stock Market, Section II



Ashley Ashwood

NatWest's Lord Boardman: new compliance procedures

Chairman regrets 'serious errors'

By David Lascelles

"WE must accept that serious errors were made in the handling of the Blue Arrow rights issue in late 1987 and some of the actions at the time fell below the high standards we have set within the NatWest group. This is a matter of great regret to us."

With these words an abject Lord Boardman, NatWest's *chairman, acknowledged* yesterday the conclusions of the Department of Trade and Industry (DTI) investigation, the only one of its kind ever made into a clearing bank.

At a press conference at the base of NatWest Tower, the City of London's tallest building, he said the bank took "very seriously" the criticisms that had been made, and pledged NatWest's efforts to ensure that it complies with the Companies Act in future.

He declined to comment on the position of the three executive directors, Mr Charles Green, Mr Terry Green and Mr John Plastow, who were singled out for criticism by the inspectors. However, there is a feeling at NatWest that the report was unjustifiably harsh on them and this could secure their position.

The report would now be considered by the NatWest board, and he would probably discuss it soon with the Governor of the Bank of England, Mr Robin Leigh-Pemberton, though no meeting had yet been set. Although he was glad the report was now out and that the air had been cleared, he could not be certain that no prosecutions would follow. That was up to the Serious Fraud Office.

Lord Boardman stressed that much had already been done to correct the weaknesses identified by the report. The top management of County NatWest had been changed, five new directors and a new chief executive, Mr Howard Macdonald, had been appointed, and new compliance procedures had been installed.

The Blue Arrow affair had done considerable damage to the business and morale of County, he said, but customers had been loyal and he was confident that it could still succeed in the world investment banking league.

NatWest remained committed to investment banking because it was a necessary service for a group with its global ambitions.

US fears concerning inflation appear to recede

By Peter Riddell, US Editor, in Washington

THE US Federal Reserve is now more concerned with avoiding a recession than with the fear of greater inflation, Mr Alan Greenspan, the board's chairman, indicated yesterday.

Financial markets interpreted his remarks as underlining the US central bank's easing of credit conditions over the past six weeks. The markets were pleased, but not surprised, and there was some rise in US bond prices.

Mr Greenspan, in his half-yearly report on US monetary policy to Congress, was careful to stress that inflation was still too high. He was uncertain whether recent moves represented the start of a trend towards the progressive easing of inflation.

Noting that interest rates were already down "quite significantly," he warned that the Fed must be careful to avoid reflating the economy by flooding the system with money.

A central theme was that the balance of risks in the US economy had shifted "somewhat away from greater inflation." He described the pickup in the inflation rate in the first half of this year as "transitory."

Facing "a difficult balancing act," the Fed accepted the *slowdown in demand from the* "unsustainable rates" of 1987 and 1988 as "probably unavoidable", but was seeking to avoid "an unnecessary and destructive recession."

Consequently, existing targets for the growth of various monetary measures had been reaffirmed. This should allow for "a noticeable pickup" in money growth next year from artificially low levels recently. These targets were intended to be consistent with a reduction *in inflationary* pressures and continued moderate growth.

Mr Greenspan did not see the economy heading towards recession, though he would be watching closely for an unexpected rise in inventories or a large and unexpected deterioration in new orders as signs of an undesirable downturn.

But the Fed's governors and regional bank presidents have forecast a slowdown in the growth of the economy from around 2 to 2.5 per cent this year to between 1.5 and 2 per cent next. Consumer price inflation, however, is projected to slacken only from the 5 to 5.5 per cent range this year to between 4.5 and 5 per cent next year.

Background, Page 6

Bush aims to put the space race back on course

By Roderick Oram in New York

IT WAS America's destiny to lead the way in space, President George Bush said yesterday, calling for an orbiting space station and a moon base to pave the way for a manned mission to Mars in the next century.

"Why the moon? Why Mars? because it is humanity's destiny to strive, to seek to find, and because it is America's destiny to lead," he said at a Washington ceremony marking the 20th anniversary of man's first steps on the moon.

President Bush was talking at the museum where the Apollo 11 space capsule and other artifacts of the historic moon flight are on display. He shared the platform with Neil Armstrong, the first astronaut *to set foot on the lunar surface*, and Armstrong's crewmates, Edwin "Buzz" Aldrin and Michael Collins.

"To those who may shirk from the challenges ahead or who doubt our chances of success, let me say this: to this day the only footprints on the moon are American footprints; the only flag on the moon is an American flag; and the knowhow that accomplished these feats is American knowhow," Mr Bush said.

But Mr Bush's proposal fell short of the type of concrete commitment President John Kennedy used in 1961 to galvanise the nation for the Apollo moon programme. However, it was welcomed by space and government officials as the boldest presidential declaration on space in two decades.

Mr Bush asked the newly formed National Space Council, chaired by Vice President Dan Quayle, to draw up *options,* timetables and budgets to fulfil his broad goal.

The fight will then be the Administration's attempts to win more money from Congress. Estimates of the cost of putting astronauts back on the moon and eventually Mars range widely. The National Aeronautics and Aerospace Administration's budget would have to be at least tripled to $30bn a year.

"Destiny is not a matter of chance; it is a matter of choice," Mr Bush said. He envisages an operational space station by the 1990s, a moon base in the first decade of the next century and a Mars mission some time later.

Turbulent course for Mars and beyond, Page 6

Soviet coalfield unrest spreads as strikers demand new deal

By Quentin Peel in Moscow

FOUR MORE coalfields in the Soviet Union were hit by wildcat strikes yesterday as workers demanded a new deal in the mines.

The new industrial unrest came as some 150,000 of the original strikers in western Siberia went back to work having won a 35-point package of concessions following a 10-day strike.

Miners in northern Siberia, Kazakhstan, new parts of the Ukraine and at Rostov-on-Don who joined the stoppage were demanding that concessions already made to colleagues in the Kuznetsk and Donets coalfields be extended to their coalfields.

These include a decentralisation of decision-making and financial control away from the Coal Ministry, pay increases for miners working night shifts, Sundays off, pay*ment for travel time and sub*stantial improvements in working and living conditions.

Meanwhile, Tass, the official Soviet news agency, reported that nine of the 11 districts of the Kuzbas field were back at work, apparently celebrating their considerable victory in obtaining across-the-board concessions from the government.

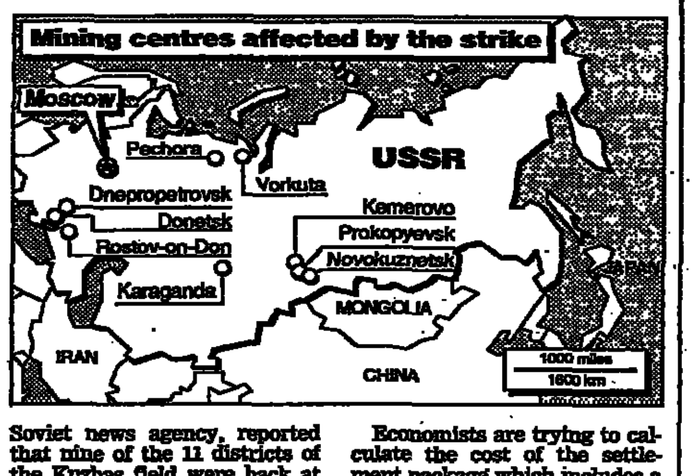
However, miners in Prokopyevsk, the biggest coal centre, and neighbouring Kiselevsk, were still out on strike.

Economists are trying to calculate the cost of the settlement package which includes a 50 per cent increase in the wholesale price of coal.

Mr Valentin Medvedev, a central committee secretary of *the Soviet Miners' Union, said*

Continued on Page 22
Background, Page 2; Long hot summer, Page 20

Mining centres affected by the strike



MARKETS

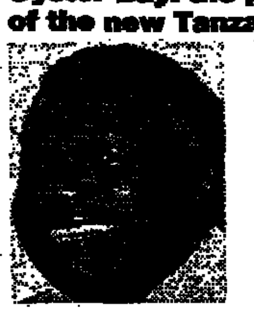
STERLING	DOLLAR	STOCK INDICES
New York lunchtime: $1.6220	New York lunchtime: DM1.9090 FFr6.4745 SFr1.6485 Y141.75	FT-SE 100: 2,292.3 (−0.2)
London: $1.6270 (1.6195) DM3.0925 (3.0800) FFr10.4900 (10.4500) SFr2.6700 (2.6675) Y230.00 (same) £ Index 92.5 (92.4)	London: DM1.9005 (1.9020) FFr6.4475 (6.4525) SFr1.6410 (1.6470) Y141.40 (141.95) $ index 70.4 (same) Tokyo close: Y142.23	FT Ordinary: 1,901.4 (−1.8) FT-A All Share: 1,170.15 (−0.6%) FT-A long gilt yield index high coupon: 9.51 (9.52)
GOLD New York: Comex Aug $372.2 London: $372.25 (371.25)	US LUNCHTIME RATES Fed Funds $9\frac{1}{8}$% 3-mo Treasury Bills: yield: 8.205% Long Bond: $108\frac{13}{32}$ yield: 8.104%	New York lunchtime: DJ Ind. Av. 2,600.91 (+16.50) Tokyo: Nikkei 33,664.87 (+107.70)
N SEA OIL (Argus) Brent 15-day Aug $18.05 (same)		LONDON MONEY 3-month interbank: closing $13\frac{13}{16}$% (same)

Chief price changes yesterday: Page 23

SELLING PRICE IN IRELAND 60p, IN MALTA 40c

CONTENTS

Oyster Bay: the pearl of the new Tanzania



President Mwinyi (left) is today the driving force of economic change in the country. Private enterprise initiatives are being encouraged and Tanzania is facing a long climb back to economic recovery
Page 4

EUROPEAN NEWS

Soviet coal strikes may accelerate pit closures

By Quentin Peel in Moscow

THE STRIKING Soviet coalminers may have won a Pyrrhic victory with their successful demand for greater control over their own finances, a leader of the official miners' union warned yesterday. The result of the new-found independence could be that more, not fewer, pits are forced to close, if they are shown to be loss-making on their own.

Although the Government has agreed to a 50 per cent increase in the pit-head price of coal, many pits need an increase of 100-200 per cent, according to Mr Valentin Medvedev, secretary of the central committee of the Soviet Coal Miners' Union.

The main demand of the miners has been for individual pits to be given decentralised power over their own income and spending, freedom to fix contracts over and above the central state purchases, and spend any profits on improved social facilities.

They are convinced that by holding on to their income, and paying a lower tax to the state, they will have money left over to spend on better housing, health and recreation facilities, water supplies and the like.

"In my opinion, not all the mines are ready for such responsibility," Mr Medvedev told the Financial Times yesterday. "Some pits are not profitable. But now there will be a self-financing unit at each pit."

The whole of Soviet industry switched to the system of *khozraschet* (best translated as real cost accounting) and self-financing from last January 1. However, for the coal mines, the self-financing unit was defined as each regional coal board. In the Kuznetsk coal field, that meant one unit for the whole of the South Kuzbas, including dozens of separate pits, and one for the North Kuzbas.

The miners believe that they are still pouring all their money into a big bureaucracy, both at regional and national level. They also believe that coal exports are earning valuable foreign exchange – and the coal fields see none of the benefits, in the shape of decent supplies of food and consumer goods.

Mr Medvedev said the threat of more pit closures was "a very dangerous problem now. We cannot keep pits going which are not profitable."

He said that the 50 per cent increase in the wholesale price of coal still left the Soviet pithead price far below the international market price. Mr Medvedev said the wholesale price was about Roubles 20 ($32.40) a tonne, compared with a world price of about $48.95, but it needed to be doubled or tripled for the Soviet coal fields to be profitable.

The Soviet Miners' Union has for the first time backed the striking miners, and tried to mediate with the Coal Ministry and central authorities in the dispute. That itself was a dramatic departure from former practice.

> The Government has agreed to a 50 per cent increase in the pit-head price of coal, but many pits need 100-200 per cent, says the miners' union secretary

Only last March, when more than 100 coalminers went on strike in the far northern town of Vorkuta, another union leader was asked whether the miners' official organisation had ever intervened "to protect the interests of the workers in conflict with the heads of mines and enterprises."

"I do not know of any such cases," Mr A.F.Chebotayev, another central committee secretary of the union, replied.

Mr Medvedev admitted yesterday that the union was now learning that it would have to undergo its own perestroika (restructuring) to cope with the new industrial situation.

The union leadership had certainly been caught by surprise by the scale of the stoppage, he said. Probably 250,000 workers took part at its peak, and strikes have ranged from the Ukraine to western and northern Siberia, and down to Kazakhstan in central Asia.

Only a month ago the union leadership submitted five demands to the Coal Ministry, all of which were on the long lists of strikers' demands. They included extra pay for night and evening shifts, allowance for travelling time to and from the coal face, a guaranteed Sunday off for all workers, pits being allowed to fix their own hours worked and holidays, and more investment to be allocated to social facilities and the environment in the coal fields.

In the event, those union demands have been completely overtaken by events.

"We understand we have to take more initiative," Mr Medvedev said. "The accent must be put on defending the rights of workers. We deal with a lot of questions here, like economic, political and state questions. We must get out of these broad issues, and concentrate on defending the rights of workers."

Although he admitted that the union had lost the initiative to local strike committees, he said that regional officials were included in those committees in most cases.

Mr Mikhail Srebny, the miners' union leader, announced his support for the strikers within 24 hours of the first action, at five pits in the Kuzbas mining town of Mezhdurechensk. However, throughout, the union has urged caution, and played down the extent of the stoppage.

Mr Medvedev said that the union would also have to become more involved in questions such as pit closures, retraining mine workers, ensuring adequate social security and housing. "We should not be in a hurry here," he said. "We must try to make every mine profitable. We must not be in a hurry to close them down."

SOLIDARITY: Angry miners at a rally in Prokopyevsk

EFA project threatened in radar row

By David Goodhart in Bonn

THE conflict-ridden four-nation European Fighter Aircraft (EFA) project looks likely to be based around two different models after insurmountable differences between Britain and West Germany over the aircraft's radar system.

Defence analysts say such a split would run counter to the principle of the collaborative project, would add to the current budget of at least £21bn, and thus increase the chances of a cancellation before the production stage. "Two radar systems really means two different aircraft," said a defence industry official.

However Mr Oskar Friedrich, vice-president of the military aircraft division of MBB, the main German EFA contractor, says that "a two-tier radar system cannot now be ruled out". He also claims that such a system could be built within Germany's present national budget for the project.

Mr George Younger, the UK Defence Secretary, and his German opposite number Mr Gerhard Stoltenberg, met informally in London last night and EFA is thought to have been one of the subjects of discussion. However a breakthrough is not expected.

Germany prefers the AEG-led *consortium's MSD-2000* radar system, based on the APG-65 made by Hughes of the US, on the grounds that it is less risky than the Ferranti ECR 90 system – supported by the UK, Italy and Spain – and easier to adapt for use in the Luftwaffe's F-4 Phantoms.

The German Government has indicated that it would consider the more ambitious ECR 90 but only if the UK is prepared to cover any cost over-runs that it creates. The UK has been reluctant to set such a precedent in a collaborative project.

Another idea being floated in Germany is that a common radar could be chosen but with two versions, one sophisticated the other less so. The delay is already creating some cost and time over-runs for the project and these will become more serious in the Autumn. It is probable that both AEG and Ferranti will have to re-submit their offers because of the delay.

Shadow of Third Reich looms over German-Polish relations

By David Marsh in Bonn

CONTROVERSY IN Bonn over Germany's residual claims on Poland underlines how the shadows of the Third Reich invariably loom over the Federal Republic's efforts to reach a permanent understanding with Eastern Europe.

West Germany, just a few weeks away from the 50th anniversary of the outbreak of the Second World War on September 1 1939, still has not come to terms with the dénouement. The conflict which started with Hitler's aggression against the Poles ended with Poland's de facto annexation of a large chunk of Germany's eastern territories – an acquisition stemming from the Soviet Army's westward drive across central Europe, but unsanctioned by any formal peace settlement.

The drama contains elements of both tragedy and farce. But, above all, it is a mystery play which appears downright unnecessary. Simmering resentment in German-Polish relations has excluded Bonn from playing a high-profile role in the West's efforts to co-ordinate a financial package to back Polish political reform.

It has placed another hurdle in front of the planned trip to Warsaw by Chancellor Helmut Kohl, who already faced timetable difficulties as a result of Bonn's unwillingness to come up with financial pledges meeting the ambitions of Polish reformists. Mr Kohl originally wanted to go this month, but now will not travel there before the end of September.

A fresh row over the lost lands of the German Reich has hit the headlines during the slack news season, sparked off by remarks at the beginning of July by Mr Theo Waigel, Bonn's Finance Minister.

He told an annual meeting of former German refugees from Silesia – once one of Germany's most highly-prized industrial areas – that the former eastern territories still belonged to the unsolved "German Question".

This was technically correct. The lack of any post-war settlement means that, legally, the Reich in its borders of 1937 continues to exist. But it was politically tactless and, at least in part, opportunistic – an effort to trawl votes and sympathy away from the nationalistic far-right parties.

A by-product of the saga has been to usher in new historical speculation over the policies on German reunification of Konrad Adenauer, West Germany's first Chancellor. Professor Karl Kaiser, a well-known Bonn political scientist, has claimed that Adenauer gave a secret undertaking to the Allies in the early 1950s permanently recognising Poland's western border as the Oder-Neisse line, which came into force after the war.

Mr Kaiser publicised his thesis without being able to produce any firm evidence to back it up. He has been treated to almost daily disdain from Mr Hans Klein, Mr Kohl's Information Minister – himself a refugee from Czechoslovakia.

The quarrelling over the Polish border this month has triggered unusually harsh allegations of German "revanchism" from the Polish communist press. The discussion might appear superfluous, since the Federal Republic in the 1970 Warsaw Treaty not only recognised the Oder-Neisse boundary but also promised not to raise any territorial claims in future.

Legal purists point out that the undertaking was valid only for the Federal Republic but not for any future reunited German state – a sign that the debate is unlikely to be extinguished in a hurry.

Faces grow redder in Copenhagen

By Xueling Lin in Copenhagen

THE DANISH Government yesterday faced fresh embarrassment over the recently awarded Dkr3bn (£250m) contract for the Jutland road and rail bridge after the leaking of confidential minutes from a ministerial meeting.

The European Commission warned Copenhagen this week it will take court action against Denmark unless the contract is reconsidered. The Commission is unhappy because the tender prescribed minimum levels of local content and labour.

The minutes, leaked to the newspaper Berlingske Tidende, are of a meeting a week before the June 26 signing. They reveal that the government realised there was a "mistake" in the tender but decided against admitting as much to the Commission.

Foreign Minister Uffe Ellemann-Jensen is quoted as saying he feared the mistake was so serious it could damage Denmark's relations with the Commission and France.

The French company Bouygues led a consortium which failed to win the contract and reported the tender's conditions to the Commission.

W German money supply growth slows further

By Andrew Fisher in Frankfurt

WEST GERMANY'S money supply growth slowed down further last month, falling well within the target range of around 5 per cent set by the Bundesbank for 1989 after three years of overshooting.

The central bank has been concerned to reduce the pace of expansion in M3, the broad monetary aggregate, in order to avoid overheating of the economy which is currently enjoying stronger than expected export-led growth.

Thus it raised its key interest rates by a further 0.5 percentage points late last month, arguing the need to strengthen the D-Mark's purchasing power. This brought the discount rate up to 5 per cent – its highest since December, 1982 – and the Lombard rate to 7 per cent.

Yesterday, the Bundesbank said that M3 in June showed a rise of 4.4 per cent, seasonally adjusted and on an annual basis, over the fourth quarter of last year. This compares with rates of 5.3 per cent in May and 6.1 per cent in April.

The central bank said the sharp contraction of growth in June, influenced by seasonal factors and the ending of investment uncertainties caused by the withholding tax (now removed), would obviously not continue, however. It noted that growth was higher when Eurodeposits were included.

But analysts said the bank now had a strong chance of falling well within its target. Mr Karl Otto Pöhl, the Bundesbank president, has admitted that the bank could have been more ambitious in setting its money supply goal, based on the latest trend.

East German economic growth put at 4 per cent

By Leslie Colitt in Berlin

EAST GERMANY, in sharp contrast to most of eastern Europe, presented impressive but meagre statistics yesterday on its economic performance in the first half of this year.

Economic growth, expressed in national income – gross national product minus services – rose as planned by 4 per cent, the state statistical office said.

The economy was characterised by "dynamism, stability, effectiveness and quality" the Party newspaper Neues Deutschland noted expansively.

Statistics showing this were, as in the past, extremely skimpy. Nor could the optimistic economic report be confirmed by East Germans, who say living conditions have been stagnant since the mid-1970s.

"They claim prices for essentials are the same as in 1952," one East Berlin woman said, "but I know we are paying far more to buy the same items than a few years ago."

The credibility gap between the statistics and the reality experienced by citizens was illustrated by retail trade turnover which rose 4.3 per cent. This indicator is supposed to show a rising standard of living, but East Germans say it is meaningless because the rate of inflation for consumer products is ignored.

Industrial output rose 4.4 per cent over the same period last year, exceeding the government target of 3.5 per cent.

Production of office and personal computers was up 15 per cent the statistical office said. Citizens noted, though, that it was still virtually impossible to buy a personal computer except at a highly inflated price on the black market. Vehicle production rose 4.6 per cent, according to the statistics, although the waiting time for delivery of a Wartburg or Trabant car has lengthened to between 12 and 15 years.

The external trade statistics were no more enlightening. East Germany achieved a trade surplus of more than 2bn East German marks (just over $1bn at the official rate), the same as last year, while total trade rose slightly to 83bn marks. As always, there was no breakdown into exports or imports.

Commission rethinks pessimistic job forecast

By David Buchan in Brussels

THE EUROPEAN Commission yesterday revised downwards its overall estimates of initial job losses arising from 1992-style business deregulation, but warned that employment in certain sectors could still be severely hit.

In its first EC-wide report on employment, the Commission says that its forecast in the Cecchini report last year of a sharp see-saw in jobs, falling by perhaps a net half million in 1990, only to rise by a net 2m over the following four or five years, is exaggerated.

The earlier forecast assumed simultaneous implementation of Community internal market legislation, which is in fact lagging, and it did not take account of Europe's continuing investment boom.

Half the EC's industrial employment is in sectors which are potentially sensitive to the impact of 1992, such as certain high-technology sectors which are uncompetitive on a world level, industries (like pharmaceuticals and drinks) where rationalisation is expected, and sectors (consumer goods) where changes to distribution arrangements are likely to be considerable.

Among the long-term trends which the report picks out are the increase in the share of service sector jobs from little more than 40 per cent of total employment 20 years ago to more than 60 per cent today.

However, it questions the "quality" of many of these "part-time and temporary" jobs. It also complains that the rate of participation in the work economy is considerably lower in the EC than in other industrialised countries.

Complaining about what it saw as the "unduly pessimistic" tone of the report prepared by officials of Mrs Vasso Papandreou, the Commission directorate for external relations said in an internal note that the report did not "accord with the dynamic, positive image of Europe which we are trying to present."

The Papandreou report on employment, which will be discussed by EC business and union representatives as well as government ministers, makes a strong pitch for strengthened social policies.

UN officials seek to defuse tension in Cyprus

By Andreas Hadjipapas in Nicosia

UNITED NATIONS officials in Cyprus were yesterday trying to defuse a dangerous situation in divided Nicosia that threatened to wreck the 10-month *intercommunal negotiations* for the reunification of the island, writes

The Turks, who have proclaimed a breakaway state in the north, detained more than 100 people, mostly Greek Cypriot women, who on Wednesday evening staged a protest march into the UN-controlled battle zone. The march coincided with the 15th anniversary of the Turkish invasion.

The women broke through UN barricades and entered a derelict school and a small church where they sang hymns, hoisted Greek flags and shouted slogans demanding the withdrawal of Turkish occupation troops from Cyprus. They were driven out by baton-wielding Turkish riot police and troops carrying rifles with fixed bayonets. Some of the women were beaten and injured.

Among those detained were a Greek Orthodox Bishop who conducted prayers in the church, and some journalists including two Reuter correspondents who were released after 18 hours detention.

The bishop and the Greek Cypriot women were remanded in custody for 48 hours.

Belgium drops objection to Austria joining EC

BELGIUM yesterday cleared the way for the European Community to consider Austria's application for membership after blocking the process because it feared Vienna's neutrality could obstruct EC integration, Reuter reports from Brussels.

EC officials said Belgium dropped its objection at a meeting of the 12 Community ambassadors, after receiving assurances that the neutrality question would be thoroughly examined. The application will be referred to the European Commission for a study of its economic and legal implications – the normal procedure for any membership bid – once the agreement has been confirmed in writing by the 12 governments.

● Mr Pierre Beregovoy, the French Finance Minister, said yesterday that Austria was well placed to play a role in Eastern Europe's economic recovery because of its traditional links with the region, Judy Dempsey reports from Vienna.

But he replied cautiously when asked about Austria's recent application to join the European Community, and about how the country's neutral status might affect the bid.

"Of course it [neutrality] is a very important question," he said, adding however, that "there are many other issues to consider as well".

Italians turn once more to the 'devil' they know

The great constant in the nation's politics is set to form his sixth Government. John Wyles reports

WITHIN THE next few days, a strangely stooped but astonishingly vigorous, icily calm but eternally alert 70-year-old will be driven into the Quirinale Palace for a ritual exchange with the Italian President. He rarely moves in public without a file tucked under his left arm, and on this occasion the papers inside will contain a list of the ministers in the sixth Government to be headed by Giulio Andreotti.

To some Italians, Mr Andreotti is the living embodiment of his own dictum that most things are constant in the nation's politics, and for them his return to the premiership after a decade spent largely and very effectively at the Foreign Ministry is a depressing confirmation of the fact.

To others, he is simply the cleverest, most experienced and, indeed, most popular politician in Italy, whose unrivalled talents of mediation promise a more effective, and less divisive, address to the country's problems.

"Those who know me know that I am truly Italian, more than that a Roman, romanesque, untranslatable and unexportable," said Mr Andreotti three years ago, turning on himself that implacably ironic wit which has long been a solitary blaze of colour in the rather humourless, grey fabric of Italian politics.

His public popularity owes much to the fact that many Italians see in him all the qualities of which they are proud, and also the paradoxes about which they worry.

He is clever enough to have been a Cardinal in the Roman Catholic Church to which he makes almost daily obeisance at early morning Mass, but so flexible are his values that no single pulpit could accommodate him.

He is a conservative populist with little sympathy for big business who has never hesitated to exploit the sponsorship of wealthy entrepreneurs. He is a true democrat who believes in a nation of laws, but has often seemed careless about applying them.

Italians tend to savour this skein of contradictions and so it is that Mr Andreotti's detractors find that their barbed epithets – "the wolf" and "Beelzebub" – are now usually applied in the media as terms of popular affection.

At the very least, both such appellations carry more than a hint of danger, and after 42 almost continuous years in government, there is a feeling, no, a certainty, that Andreotti can identify most of the skeletons of which other politicians do not care to be reminded. How else, it is frequently asked, can the man have survived?

For his has been an extraordinary career, not only because he has held every important office of state, but because his name has been associated with nearly every big scandal for the past 40 years.

On the popular assumption that there is no smoke without fire, many conspiratorially minded Italians, of which there are about 55m in the country as a whole, doubt that the man has been just unlucky, know that he is not careless and wonder, therefore, if he is not more than a little suspect.

QUIRINALE COMMISSION: Andreotti takes over the baton

Others, however, see him as the victim of conspiracies designed to damage a brilliant career, to discredit his Christian Democrat party, to undermine the state, to stain the Catholic Church, to destroy his allies, to further terrorism – all long-standing motivations in a frequently divided nation whose political armoury includes both the smear and the shotgun.

"Political life is sometimes like billiards. You strike one ball to achieve other objectives," Mr Andreotti once said, with characteristic detachment, about the accusations ranging from manipulation of the secret services to the receipt of political bribes, against which he has successfully defended himself before numerous parliamentary inquiries.

Yet in a country of countless interlocking networks, both open and secret, where no politician stands alone because he represents interests both open and secret, the question which always intrigues is: who stands behind Andreotti?

The Church and its political ofshoots certainly do, but only the most rabidly anti-clerical hold that to be truly sinister.

In fact, his support is much more catholic, ranging from sections of the Communist party, which propped up his single Christian Democrat Government in 1977-78, to businessmen with former fascist sympathies such as mineral water king Giuseppe Ciarrapico.

But there have been, and are, men with much more dubious records and affiliations with whom Mr Andreotti has not only had acquaintance and friendship but whom he cares to defend publicly.

One such was the Sicilian with alleged Mafia connections, Michele Sindona, the fraudulent banker who was convicted in 1986 of arranging an assassination, and was later mysteriously poisoned in his prison cell.

His membership of the sinister P2 masonic lodge tied him to Licio Gelli, another Andreotti acquaintance, and his close relations with the Vatican Bank and Roberto Calvi (found hanging from Blackfriars Bridge in 1982) linked him to the fraudulent bankruptcy of Banco Ambrosiano.

Mr Andreotti owes his coming premiership partly to the strength of his faction within the Christian Democrat party, and over the years its Sicilian wing has included Mr Vito Ciancimino, the former mayor of Palermo, who is soon to face trial for Mafia activities. Its most prominent member now is the European MP Mr Salvo Lima who has been heard making public apologies for the Mafia.

All of which suggests not that Mr Andreotti is himself corrupt, or a mafioso, but rather that he is not too fussy about the company he keeps and will not hold a man to be a criminal unless he is legally proven guilty.

His stand is honourable, but it does not make his choice of such associates less injudicious. Because part of the Mafia's social standing in Italy is based on the widespread popular conviction that political protection affords it substantial immunity.

Portugal in further state sector sales

PORTUGAL yesterday named three more companies to be partially privatised in its sweeping drive to dismantle the state sector, Reuter reports from Lisbon.

A cabinet statement said the Government would sell 49 per cent of Banco Portugues do Atlantico , cement company Cimentos de Portugal and brewers Central de Cervejas. It gave no details.

The statement hailed the success of the centre-right Government's plan to sell dozens of companies nationalised after the 1974 leftist revolution. The first two major flotations – of brewers Unicer SA in April and Banco Totta e Acores this month – were oversubscribed.

Premiers clash over Danube dam project

THE prime ministers of Hungary and Czechoslovakia clashed yesterday over the fate of a multi-billion-dollar Danube dam project on which Hungary has suspended work, Reuter reports.

But Hungary's Mr Miklos Nemeth and Czechoslovakia's Mr Ladislav Adamec agreed to hold more talks by November. Hungary suspended work on the dam two months ago, after pressure from ecologists who fear the loss of unique scenery and drinking water.

Lithuanian reform leader optimistic

THE head of the Lithuanian Reform Movement said yesterday he was hopeful the reform wave sweeping his country would eventually lead to independence from Moscow, Reuter reports from Washington.

Mr Vytautas Landsbergis, president of the Sajudis Party, the largest democratic movement in the Soviet Republic of Lithuania, said Soviet leader Mikhail Gorbachev's glasnost policies and deep nationalist sentiment in Lithuania made autonomy for his country inevitable.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: Sir Geoffrey Owen, Financial Times, Number One Southwark Bridge, London SE1 9HL.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage paid at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 14 East 60th Street, New York, NY 10022.

Financial Times (Scandinavia) Ltd, Ostergade 44, DK-1100 Copenhagen-K, Denmark. Telephone (01) 13 44 41. Fax (01) 935335.

WORLD TRADE NEWS

Row flares as US eases computer export curbs

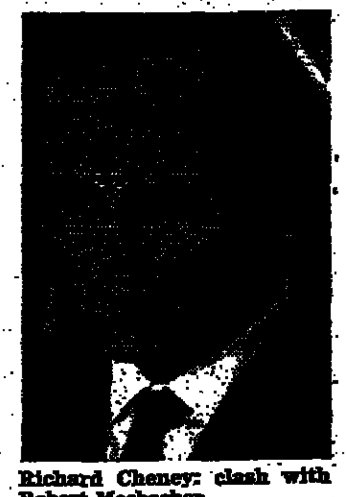
By Nancy Dunne in Washington

THE long-running dispute between the US Commerce Department and the Pentagon over decontrol of sensitive technology has flared up again with Mr Richard Cheney, the Defence Secretary, publicly disputing the decision to ease restrictions on popular personal computers.

Mr Cheney denied reports that he agreed with the decision by Mr Robert Mosbacher, the Commerce Secretary, to remove export constrictions on most AT-compatible and similar desk top personal computers to Western destinations.

"I disagree with raising the level of sophistication of those computers to the Soviet Union, or to East Bloc countries because I do believe it would give them significant capabilities that they do not now possess," Mr Cheney said.

However, tightly drawn rules established under law by Congress left this particular decision up to the Commerce Department. Mr Mosbacher removed the licensing requirement only after an 18 month "foreign availability" study



Richard Cheney: clash with Robert Mosbacher

determined that items of comparable quality are already freely available to East bloc countries.

The Commerce Department finding, made after consultations with the Pentagon, the State Department and other agencies, applies only to sales in the West. Still, the law further requires that, after a finding of foreign availability, the US government must, within four months, recommend multilateral decontrol of the items to CoCom – the Paris based organisation of 17 Western allies which governs technology transfers.

These recommendations are being presented this week at a CoCom meeting. Industry analysts believe the other Western nations will want to decontrol even more sophisticated computers.

Mr Mosbacher's decisive action was heartening to many in the American industry, who complain constantly of sales lost through an irrational, burdensome export control regime. Conservatives were left worried that the system so painstakingly erected under President Reagan to keep technology out of Soviet hands is now being dismantled.

Controls will remain on certain laptop and "ruggedised" computers as well as computers using advanced international configurations.

Andriessen takes liberal line on investment in EC

By David Buchan in Brussels

THE European Community can attract sufficient inward investment without having to impose local content rules or resort to regional aid incentives, Mr Frans Andriessen, the external affairs commissioner, said yesterday.

In a speech in London he said that now the EC had clarified its intentions on banking reciprocity, its major trading partners had at last realised that the Community meant what it said about liberalisation. But earlier, at a Brussels press conference, he warned that there would be no let-up in Community enforcement of its anti-dumping rules.

He acknowledged that recent anti-dumping actions, such as the duties coming into force this week on Japanese and Korean compact disc readers, had "created difficulties". Asked, however, whether the Community was ready to accede to other countries' demands that dumping rules be revised in the Gatt negotiations, he said: "If we can improve our rules, we will, but we are not prepared to to weaken them at the moment when we might need them in a more liberal trading world."

He also ruled out any Community legislation to require foreign companies establishing plants in the EC to have a minimum local content in their products. This was incompatible with Gatt rules. Speaking later in London at the Royal Institute of International Affairs, he stressed that direct investment in Europe was welcome. "To limit it through local content requirements or other restrictions would be to impose the same handicap on our own businessmen which their competitors face in less liberal societies," he argued.

The commissioner refused to comment on the submission from Mr Renato Ruggiero, the Italian trade minister, proposing that Japanese car imports be "stabilised" at their current 9 per cent share of the EC market, that after 1993 – when national quota arrangements will supposedly vanish – the Community should impose a temporary EC quota, and that only Japanese cars made in Europe with 80 per cent local content be considered of European origin.

Mr Andriessen confined himself to promising an early Commission pronouncement on Japanese cars, an issue of long and fraught wrangling inside the Commission with the two Italian commissioners contesting the validity of the minutes of a May meeting at which relatively liberal guidelines were apparently agreed.

The EC has proposed that the Gatt Uruguay Round hold its final negotiating session in Brussels in autumn 1990. Mr Andriessen said the commission was still committed to that deadline for agreement. For the next round of talks this autumn, the EC will papers papers on cutting farm subsidies, trade-related investment measures and tropical products.

While still regarding US trade legislation, with its retaliatory special and super 301 provisions, as a "potential threat to the negotiations", Mr Andriessen pointed to "the prudent and cautious way" the Bush administration was, so far, implementing the trade act.

ACP nations voice concern over EC talks

By Canute James in Kingston

THE 66 developing countries which make up the African, Caribbean and Pacific (ACP) group are showing signs of increasing dissatisfaction with what they appear to be getting out of negotiations with the European Community for a fourth Lome Convention.

The ACP is facing a progressive reduction in their preferential access to the European market, and an apparently irreversible global move towards liberalisation of trade.

According to Mr Edwin Carrington, secretary general of the ACP group, concern over the current negotiations is compounded by evidence of a continuing decline in what the countries are obtaining in their trade with the Community.

"In 1975 the ACP countries accounted for about 8 per cent of the Community's imports," Mr Carrington reported.

"Now the countries are supplying 3.8 per cent of these imports. If one looks at the developing countries as a whole, in 1975 they were the source of about 20 per cent of the EC's imports, but they are now down to 14 per cent. So even within the ACP group we have not held our own despite the fact that we have grown in number since then from 44 to 66 countries."

There appears, however, to be a growing acceptance among the ACP countries that when the shape and content of the fourth Lome Convention is agreed, it will be substantially different from the earlier pacts.

Mr Carrington confirmed that in the negotiations for a new Lome Convention, the message from the EC to the ACP is clear. "The reality which is emerging is that the community has basically taken the position that preferential trade is no longer the centrepiece of the relationship," he said. "They are now telling us: 'Do not rely on preferences. Rely on competitiveness'."

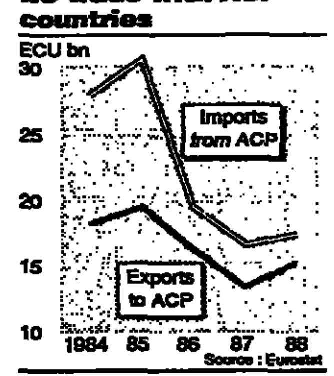
But the ACP group is none the less mildly heartened by what Mr Carrington describes as indications from the EC that there will be progress in four areas, including the treatment of some agricultural products exported by the ACP states.

The developing countries are seeking a blanket undertaking for preferential treatment for all agricultural products, leaving the community to justify the exceptions. Another area of the negotiations on which the ACP believes there will be some gains – although marginal, says Mr Carrington – is the contentious issue of rules of origin.

Two other touchy issues on which the 66 developing countries will hardly compromise, and which they hope the EC has already accepted, are the future access of two key commodities, bananas and sugar.

But although an undertaking has been given that ACP bananas will be protected after

EC trade with ACP countries



the creation of a single European market in 1992, the ACP states are still ignorant of just how this will be done.

To get some relief from the current uncertainty, the ACP is seeking changes in the application of rules of origin criteria as they apply to processed goods. They are trying to have the criteria linked to their capacity to produce industrial products, while hoping to benefit from any changes in the EC's internal taxation system for some products.

The ACP states have also been forced to look towards the development of service industries, but they are faced with problems in developing communications and infrastructure to take advantage of a growing market for a range of services.

Said one Caribbean delegate to the regional summit: "How do you fax something from a country that has not got a fax machine? And if there is a fax machine, how can it be used if there are power cuts every ten minutes?"

The 66 developing countries have not been pleased by the Community's rejection of their proposal that it buys specific volumes of commodities at agreed minimum prices.

There is also disappointment at failing to get the EC to establish new facilities for financing industrial development in the ACP states, and with what some ACP officials describe as "a lack of clarity" in financing structural adjustment of some economies.

The ACP states are not only wary of accepting specific conditions for structural adjustment which they consider to be politically and socially unattainable – and for which they have criticised the International Monetary Fund – but they are also keen that additional finance is provided by the Community as a way of guaranteeing that the programmes are successful.

"As far as we are concerned we have been put out to swim in the open ocean with all and sundry now," concluded Mr Carrington. "All we can effectively do is to slow down the process while we acquire the capacity to swim. Our immediate task is to find out how to acquire that capacity to swim."

Brussels charts course for Gatt talks on services

By William Dullforce in Geneva

THE EUROPEAN Community yesterday presented a set of rules for negotiating the liberalisation of trade in services in the Uruguay Round talks. The move reflects the determination of the major trading powers to secure an agreement on services.

The EC laid out in the group negotiating on services a step-by-step process that governments could follow. It assumes that negotiators will succeed in elaborating a framework of principles for trade in services.

In a first step governments signing the agreement would bind themselves not to introduce new measures incompatible with the framework. Then they would negotiate on a multilateral basis, commitments, which they would all apply, to eliminate wholly or partially measures in each services sector that did not conform with the framework.

The long-term aim of the process would be to secure effective market access for service companies.

This objective, the EC points out, implies that countries would make differing contributions, depending on the characteristics of their markets, the degree of liberalisation already practised and their individual development levels.

Sharp fall in British exporters' share of World Bank business

By Peter Montagnon, World Trade Editor

WORLD BANK procurement business won by British exporters fell to $710m in the year to June 30 from $895m in the preceding year according to figures published in the British Overseas Trade Board's annual report this week.

The drop reflected a sharp decline of over $200m in non-equipment supplies such as steel pipes and building materials. These are increasingly being procured locally in developing countries where World Bank projects are being implemented, officials at the Department of Trade and Industry said.

It brings the UK share of total World Bank procurement business to 7.6 per cent compared with 9.5 per cent in 1987/8. The fall in share is steeper than that of any other main supplying country apart from the US which won orders worth $1.39bn in the latest period compared with $1.81bn previously.

Orders won by Japan, the second largest supplying country, fell only marginally to $1.27bn from $1.32bn.

The growing strength of developing country material suppliers as well as contractors from countries such as South Korea, India, Pakistan and China has been a source of worry for some time to UK companies which have traditionally been in the top ranks of suppliers to World Bank projects.

Businessmen say they have been discussing new arrangements with the Bank to counter the effect of this. These would permit British and other leading international contracting companies to be registered as management contractors with the Bank.

This would allow them to be selected to manage projects in the same way that the Bank now selects consultants from a list of eligible organisations. The contractors would then be spared the high cost of bidding for projects for which they are now facing keen competition, but their role as management contractors would limit revenues from the business and reduce direct UK export earnings.

A test case under the new arrangements is expected in the autumn.

Meanwhile the UK is expected to renew its 1986 co-financing arrangement with the World Bank under which it agreed to top up Bank projects with bilateral aid funds.

This agreement, which was intended to generate some $200m in UK exports, expires this autumn and no business has yet been signed up, although a couple of contracts including one for a project to improve the water supply and sewerage system in Karachi are understood to be close to fruition. Officials say they believe it would be useful to continue the arrangement in the hope that this and other business will eventually materialise.

Third World 'shifts policy' towards Gatt participation

By Martin Wolf

DEVELOPING countries have radically altered their approach both to their own trade policies and to participation in the General Agreement on Tariffs and Trade in the 1980s, according to a Ford Foundation supported project on developing countries in the global trading system.

Developed countries should respond by offering "concessions" in the Uruguay Round and beyond, argued Professor John Whalley of the University of Western Ontario, Canada, the project co-ordinator, at the launch of the report earlier this week.

In the last three to five years many developing countries had taken two important but relatively neglected initiatives towards what developed countries have long demanded of them, argue the authors. "One has been unilateral liberalisation of trade restrictions. The other has involved a change in approach to the Gatt and, more specifically, active participation in the Uruguay Round negotiations," they say.

Mexico, long a highly protectionist country that remained outside Gatt, is one striking example. "By the end of 1987, the coverage of quantitative restrictions had been reduced to 24 per cent of trade. During this period, the maximum tariff was reduced from 100 per cent to 20 per cent and the average tariff declined from 23 per cent to 10 per cent."

The report concludes that key areas for a response from the developed countries are tropical products, textiles and clothing, agriculture and safeguard protection.

Developing countries would also like to see progress in strengthening Gatt rules on anti-dumping and countervailing duties as well as in dispute-settlement procedures.

The authors suggest that developed country concessions in such areas could be made in return for contractual commitments to maintain recent unilateral liberalisations.

Beyond the Uruguay Round, developed countries should indicate willingness to discuss issues like debt-and-trade linkages, commodities and restrictive business practices, the report says.

* *John Whalley et al., The Uruguay Round and Beyond (London, Ontario: Centre for the Study of International Economic Relations, University of Western Ontario), to be published in the autumn by Macmillan Press, London, and the University of Michigan Press, Ann Arbor.*

OVERSEAS NEWS

Oyster Bay: a pearl in the new Tanzanian market economy

Nicholas Woodsworth looks at the long slow change from rigid socialism to private business under President Mwinyi

IN OYSTER BAY, an area on the edge of Dar-es-Salaam, it is not uncommon these days to see cows on the roadside munching grass between parked cars; or women like Mrs Adam Sapi attending to backyard egg and poultry businesses.

In most of Africa's thousands of ramshackle suburbs, banal events like these would go wholly unremarked. But this is not an ordinary suburb. Oyster Bay is the capital's most exclusive residential area, the parked cars are official black Mercedes, and Mrs Sapi is the wife of the Speaker of Tanzania's National Assembly.

That senior politicians, state owned corporation presidents and their families have become involved in the domestic production of eggs and milk for local sale is, in the Tanzanian context, nothing short of revolutionary.

Only a few years ago during the rigid socialist regime of President Julius Nyerere, such activities were illegal. While ordinary citizens ran the risk of prison for involvement in black market private enterprise, senior civil servants and public figures who broke the Government's "leadership code," would have earned public ostracism and the loss of their jobs.

Today, however, in a slow and painful turnabout of ideology and economic policy, private enterprise initiatives are being encouraged and Tanzania is attempting a long climb back to economic recovery.

Tanzania's decision in 1986 to turn to the International Monetary Fund and the western aid community for a $2.4bn recovery programme came after two decades of socialist economic experimentation; the fact that today even senior public figures seek to augment inadequate salaries through cottage-industry production is an indication of the degree of economic imbalance that was created and still lingers on.

Many of the influential inhabitants of Oyster Bay launched their careers at the time of Dr Nyerere's 1967 Arusha Declaration – a blueprint for public ownership and communal economic activity based on the premise that African societies are by nature socialist.

The establishment of a vast, loss-making parastatal, or state owned sector, and the artificial creation throughout the country of 8,000 agriculturally unproductive villages tended to disprove that thesis but did not stop the execution of its policies.


President Mwinyi

Throughout the 1970s and early 80s commodity agriculture – the basis of the Tanzanian economy and the source of 80 per cent of its export earnings – was inhibited by low producer prices. An overvalued exchange rate discouraged exports.

State-controlled agricultural marketing boards could not pay farmers. Parastatal enterprises were kept afloat through central bank intervention. Despite a government policies that concentrated on social services such as health and education, living standards declined.

Between 1975 and 1986 Tanzania recorded negative gross domestic product rates of growth. On the surface, the recovery programme, modeled on classic IMF structural adjustment lines, seems to be working. Tanzania's balance of payments deficit – the country imports $1.2bn worth of goods annually but sells only $400m worth of produce abroad – is now being supported by $800m in donor aid.

Devaluation has promoted exports, producer prices are rising and marketing board control is being devolved to farmer's co-operatives. For the last three years economic growth has exceeded 3.5 per cent.

In non-macroeconomic terms, there is encouragement in the signs, however minimal, that from Oyster Bay to the shanty towns people are once again becoming involved in producing, buying, and selling.

The development process in Tanzania, however, faces a large number of problems that are unlikely to be resolved for many years to come. Some, such as the abysmal state of the country's transport system, are material, and will require a long period of reconstruction of physical infrastructure. Others, like the inefficient parastatal system, are structural, and will not be solved without laborious institution building.


Nyrere: rigid policy

Still others, the most crucial of all, concern the attitudes of the people. Economic adjustment has underlined the the deep nature of the attitudinal problems created over two decades. Many aid donors speak of a lack of an enterprise culture in Tanzania. An insistance on ideological purity at the expense of economic rationality, they say, has left the county's leaders and businessmen ill-equipped to cope with the demands of adjustment.

At the management level, the absence of an entrepreneurial ethic has permeated all sectors of the economy. President Mwinyi, who succeded Dr. Nyrere in 1985 and is today a driving force for economic change – recently spoke, for example, of the "sickness" of the co-operatives, whose managers, he said, tolerated not only mismanagement but corruption.

There is criticism, too, of parastatal managers, whose ideological resistance to commercialisation covers a good measure of vested self-intrest. Expatriate businessmen speak of Tanzanians' lack of confidence and knowledge in international business dealings; the result is suspicion of motives on one side and lack of investor confidence on the other.

Foreign embassies complain that ministry officials are rarely in their offices, but spend much time elsewhere in the country and abroad for the benefit of travel allowances.

All these and many other shortcomings in administration, management and policy implementation create a environment of economic malaise that inhibits the government's stated aims of reform.

Nor is this environment helped by the friction that exists between pragmatic elements in the government and hard-line factions in country's single political party, which along with its chairman, Dr. Nyrere, has never officially abandoned Arusha socialism.

While the population at large and many younger and more pragmatic leaders look to today's economic reform programme for Tanzania's future salvation, economic analysts agree that political and business leaders must now overcome long-ingrained traditions and attitudes, make room for grass-root entrepreneurial initiatives and show that pragmatism can bring results.

A failure to do so could result in a swing back to more traditional but less productive forms of rule. As Valentine Omolo-Opere, senior United Nations Development Programme economist in Dar-es-Salaam notes, "New economic policies and foreign aid have helped get Tanzania back on track. But only changes in mentality towards management, risk taking, discipline and an entrepreneurial spirit will keep it there."

Australia to appoint international environment 'ambassador'

By Chris Sherwell in Sydney

AUSTRALIA'S Labor government, its eyes firmly on the election due in the next 12 months, yesterday announced the appointment of an international "Ambassador for the Environment" as part of a comprehensive statement of policy to protect the environment.

Mr Bob Hawke, the Prime Minister, unveiled the policy at a time when "green" sentiment among voters is increasing and the country's economic prospects, traditionally the key determinant of electoral preference, are deteriorating.

Initial reaction from Australia's vocal environmental groups was negative. The Australian Conservation Foundation, the Wilderness Society and Greenpeace expressed dissatisfaction with aspects of the statement. Generally, however, it was welcomed as a first attempt to sort out priorities.

The cornerstone of the new policy is a A$320m ($236m) land erosion, tree-planting and revegetation programme. Speaking at Wentworth in the Murray River basin, an area badly affected by soil degradation and salinity problems, Mr Hawke said that 1990 would be the "Year of Landcare" and the 1990s the "Decade of Landcare."

As part of the programme, he said a total of 1bn trees would be planted over the decade, and a "Save the Bush" programme began. The programme springs from an unusual alliance between the National Farmers Federation and the Australian Conservation Foundation.

The new Ambassador for the Environment will be Sir Ninian Stephen, until recently the country's governor-general. He will promote the government's international environment policies abroad, including action on global warming caused by coal-burning, and the damage done to the ozone layer by chlorofluorocarbons (CFCs).

In his statement, Mr Hawke said Australia was developing a national strategy on greenhouse emissions and would be phasing out CFC use within five years. He also pledged that Australia would do "everything in its power to ensure Antarctica remains free from mining," and would seek a global ban on the "barbarous practice of driftnet fishing."

In addition, the government would consider calling a referendum designed to give the federal government in Canberra the constitutional powers to deal with environmental questions.

Other measures included the removal of the 20 per cent sales tax on recycled paper products, a 10-year programme to save endangered plants and animals, and the development of agreed national minimum standards affecting air, water and noise.

"When the earth is spoiled," Mr Hawke declared, "humanity and all living things are diminished. We have taken too much from the earth and given back too little. It's time to say enough is enough."

India seeks to increase investment from abroad

By K.K. Sharma in New Delhi

THE Indian Government plans to set up a Board for Foreign Investment in a bid to encourage the inflow of funds from abroad. Details of the board are still being worked out and it is expected that it will be mainly advisory.

The plan was announced by Mr Gopi Arora, the most senior official in the Ministry of Finance. He said that it would be organised on the model of the Board of Trade, which has been recently revived by the Ministry of Commerce.

The Board of Trade includes senior industrialists and businessmen as well as officials. It meets periodically to enable members to speak about foreign trade problems, mainly concerning exports, and efforts are then made to resolve them.

If this is the pattern for the proposed Board for Foreign Investment, it will also function as an advisory organisation to consider problems faced by foreign companies, but it is unlikely to influence policy-making.

The Indian government is anxious to promote foreign equity investment, but there is no immediate proposal to change its existing policies. Foreign investment is governed by the Foreign Exchange Regulation Act, popularly known as Fera, which is highly selective, even restrictive, over equity participation by overseas companies.

China protests at 'interference' by US Congress in home affairs

China lodged a new protest yesterday against what it called groundless slanders and interference by the US Congress in the latest round of recriminations triggered by China's crackdown on pro-democracy protests, AP reports from Peking.

"The US Congress has grossly interfered in China's internal affairs time and again, seriously hurting the feelings of the Chinese people," the official Xinhua News Agency quoted a Foreign Ministry official as telling US Ambassador James Lilley.

At issue were separate amendments approved by the US Congress' two houses that provide for a range of sanctions against China. A final version has not yet been approved.

Creditors agree to Jordan debt rescheduling

By George Graham in Paris

JORDAN'S creditors have agreed to reschedule an estimated $700m of its government to government debt.

Representatives of 10 European nations, the US, Japan and Kuwait, meeting in the framework of the Paris Club of official creditors, agreed to roll up payments due in 1989 and 1990, to be repaid over a period of 10 years, with five years of grace. Jordan's total external debt is estimated at $8.3bn.

The Paris Club rescheduling follows the approval last week by the International Monetary Fund of an economic and financial programme for Jordan. The IMF agrees to pay out $80m of a $275m loan.

Jordan has undertaken in the programme to reduce its budget deficit from 23 per cent of gross domestic product this year to 6 per cent in 1993, as well as to control monetary growth and to restore its current account balance.

Mr Basil Jardaneh, Jordan's Finance Minister, has already held a first round of talks with the London Club of commercial bank creditors, and a further meeting is expected in August.

Bombardment by night in Beirut

Lara Marlowe in the west of the city comes under Christian fire

WHEN the shelling started at about 11pm, it sounded like the usual nightly routine – half a dozen outgoing rounds alternating with incoming shells from General Michel Aoun, the Christian army commander, aimed at the Syrian artillery battery down the road.

But within minutes it became apparent that this was more than the usual dose of shellfire in the four-month-old battle between Gen Aoun's forces in East Beirut and the Syrian army and its Moslem militia allies in the west.

As explosions and gunfire came closer to our apartment building, we deserted the makeshift shelter in our corridor and ran two floors downstairs where the landlord, Walid, his sister and her two daughters crouched on cushions against the thickest wall of the building.

Amid the continuing explosions, we barely heard the Syrian soldiers rattling the wrought iron gate to the apartment building. Walid let the three of them in. They were even more frightened than we were. The artillery battery had been hit, one said, sinking to the floor and burying his head in his hands. Another sat a few feet away, staring blankly, his chest wrapped in bandages.

There was a barrage of what sounded like hundreds of machine-guns firing. The Christians had hit an ammunition truck at the unfinished Sheraton Hotel a few hundred yards to the west, and the rumble of exploding shells and bullets went on for five minutes.

One of the two unwounded soldiers chain-smoked as he tried to justify their predicament. "We are strong," he said. "We could overthrow Aoun in 24 hours, if they [the Syrian command] would let us go into east Beirut. But they won't let us." Then he picked up his gun, asked us to take care of his wounded friend and left with the other soldier.

The shells were bursting just outside the house. One hit the field across the street, coating the floor and furniture in an inch of dirt. From the balcony we could see the front of the Sheraton barracks burning bright orange against the palm trees on the corniche. The full moon lit up the smoke pouring out of the building.

By morning, eight trucks hit by the Christian artillery gunners were still smouldering around the blackened façade of the old Sheraton. There was a new crater in the road 15ft from our building. Tiles had fallen off the wall in the kitchen.

As usual in Beirut, there were conflicting explanations for the night's bombardments, which continued until 4am, killing several people and wounding at least 30.

Local newspapers reported that the battle had started when the Syrians shelled supply ships entering Christian Lebanese ports. Another story had it that an Israeli gunboat was accompanying a vessel carrying Lebanese Christians from East Beirut to Naqoura, in the Israeli "security zone" in southern Lebanon.

Residents also remembered that on Wednesday Mr Samir Geagea, leader of the Lebanese forces' Phalangist Christian militia said he would fight the Syrians with every means at his disposal if they kept blockading Christian ports.

Hussein says Israeli plan 'would lead to deadlock'

By Andrew Gowers, Middle East Editor

KING HUSSEIN of Jordan told a parliamentary meeting in London last night that the Israeli government's proposal for Palestinian elections would lead to deadlock in the Middle East without prior Israeli agreement to exchange land for peace.

Addressing a meeting of MPs and peers organised by the European Atlantic Group, the Jordanian monarch reaffirmed support for an independent Palestinian state and sought to dispel suggestions that his government - like that in Israel - perceived such an entity as a "mortal danger."

Praising the two-state political programme adopted by the Palstine Liberation Organisation last November, King Hussein contrasted the "bold new clarity" of this approach with the position of an Israeli coalition government "based on the lowest common denominator of political consensus."

The speech reinforced the impression that Jordan will do nothing to promote peace moves built on the plan which was advanced in May by Mr Yitzhak Shamir, Israel's Prime Minister. This proposal calls for elections to choose Palestinian representatives who would negotiate with Israel on the future of the occupied West Bank and Gaza Strip.

King Hussein said that to hold elections without prior Israeli agreement to withdraw from the occupied territories would be "to engage in a process of considerable apparent motion, without substantive progress."

● Britain protested to Israel on Thursday over a call by right-wing Trade Minister Ariel Sharon for the elimination of Palestine Liberation Organisation chief Yasser Arafat, Reuter adds.

Burma seeks to silence democracy campaigner

By Roger Matthews in Bangkok

THE Burmese military regime yesterday sought to silence the country's most persistent advocate of democratic change by placing Aung San Suu Kyi, the secretary general of the National League for Democracy, under virtual house arrest.

Troops surrounded her house in Rangoon's University Avenue and prevented anyone from entering or leaving. Telephone operators in Bangkok said last night that lines to Rangoon had been cut since the early afternoon.

No formal announcement has been made but foreign diplomats have been called to a meeting later today with members of the State Law and Order Restoration Council who in effect form the government.

Aung San Suu Kyi, the Oxford-educated daughter of General Aung San who led Burma in the run-up to independence from Britain, has attracted an enormous popular following in the past year.

Despite the regime's bloody suppression last September of the mass movement for democracy in which thousands were killed and wounded by troops, Aung San Suu Kyi has continued her campaign, drawing large crowds in defiance of a military ban on gatherings of more than five people.

On Wednesday the regime sent thousands of heavily armed troops on to the streets of Rangoon to forestall ceremonies planned by Aung San Suu Kyi to commemorate the assassination of her father in 1947.

Aung San Suu Kyi called off her plans and urged people to stay indoors.

Troops also detained and then deported a Reuter correspondent who is thought to have been the only foreign journalist in the country.

Moi prepares for Mozambique talks

PRESIDENT Daniel arap Moi of Kenya, who has offered to mediate between right-wing rebels and the Marxist government in Maputo, will visit Mozambique this weekend, Reuter reports from Nairobi.

He will leave just two days after negotiators failed to turn up for talks in Nairobi on ending the 14-year-old Mozambican civil war.

Rebels and Mozambican churchmen were due to meet in Nairobi on Wednesday to discuss the government's new peace plan, but the talks never took place.

A statement by Mozambique's semi-official Noticias newspaper said on Wednesday that President Joaquim Chissano had got the date wrong when he had announced Wednesday's talks.

But a spokesman for the rebel Mozambique National Resistance (Renamo) said in Lisbon that the talks broke down because raids into rebel-held areas prevented some officials from going to Nairobi.

Court clears Aquino land reform

The Philippine Supreme Court has rejected a legal challenge to government land reforms that will strip landlords of their huge estates, saying they will help curb unrest, Reuter writes from Manila.

The court rejected a petition by more than 21,000 landowners who denounced President Corazon Aquino's reforms as unconstitutional.

The court said in its judgement that nullifying the reforms would "kill the farmers' hopes... and resurrect the spectre of discontent and dissent in the countryside".

Mrs Aquino's reforms involve giving 5.4m hectares of land to more than 3m tenant farmers in the next decade.

South African gold mine accident

TWO SOUTH African miners died and 13 were injured in an Anglo American Corporation gold mine but confusion surrounded the circumstances of the accident.

Mine owners Anglo American said the accident happened as a crowd of workers were assembling underground for a new shift.

The company said an employee at the Elandsrand mine at Carletonville, near Johannesburg, had slipped and fallen. Workers standing behind had surged forward.

Hundreds of miners die in South Africa's mines every year. Unions blame lax safety standards. Mine owners deny the charges.

End of an unwanted holiday at West Bank schools

Closures during the intifada have brought protests at home and abroad, **Hugh Carnegy** reports

THE lofty, stone-built Friends' Boys school in Ramallah, in the Israeli-occupied West Bank, should now be slumbering for the summer holidays in the shade of trees and shrubs. Instead it is full of activity as it prepares to open for the first time in six months.

Like the rest of the West Bank's 1,200 schools, it has been closed for most of the 20-month Palestinian intifada, or uprising, in the occupied territories on the orders of the Israeli authorities.

But in the first relaxation since January 20 of this much criticised policy, the Israeli Defence Ministry is allowing the resumption of classes for the first six grades and the graduating year from tomorrow. (The typical Palestinian school week runs from Saturday to Thursday inclusive.)

For Mr Khalil Mahshi, headmaster of the US Quaker-owned Friends school, the reopening is welcome. But it also confronts him and his staff with a host of problems as they prepare to cope with the educational damage the closures have inflicted on their pupils. "Believe me, these are very difficult times," he says.

West Bank schools were also closed for eight months during 1988. The area's five universities – Al-Quds, Bir Zeit, An-Najah, Hebron and Bethlehem – and other colleges, such as training centres, have been closed since early 1988. Some 18,000 students in higher education and more than 300,000 children have been affected, including those attending kindergartens, which were also ordered shut.

Israel insists that the closures were imposed because schools and colleges were used by the largely young leaders of the intifada to organise and launch violent unrest. But it has come under strong criticism for taking such sweeping measures, both from abroad and among Israeli educators. Specific appeals by the US to reopen schools may be partly responsible for the relaxation.

Palestinian educators complain bitterly that closing schools in a community which has traditionally laid heavy emphasis on education – they say literacy in the West Bank was 83 per cent – is a deliberate act of collective punishment in retaliation for the intifada as a whole, not because of specific incidents of unrest in the schools.

They point out that attempts by individual schools and the United Nations Relief and Works Agency to organise home study programmes were also stopped by the authorities. And they ask why, if schools were such a focus of unrest, Israel has not systematically closed schools in East Jerusalem or, more pointedly, in the Gaza Strip, where unrest has been every bit as violent as in the West Bank.

Mr Mahshi's chief worry now is how to overcome the consequences of the prolonged absences from class. Despite Israeli bans, many schools and parents have managed some form of clandestine home study, but not enough to compensate for the closures.

Most schools will work through the summer to prepare their eldest students for a specially rearranged Jordanian matriculation exam in October (West Bank schools still follow the Jordanian curriculum).

One of the main concerns is for the youngest pupils. Despite the limited schooling in the last academic year, the Israeli authorities decreed that a full year had been completed. This means a child may shortly be treated as having completed second grade without, in fact, spending more than a few months in school.

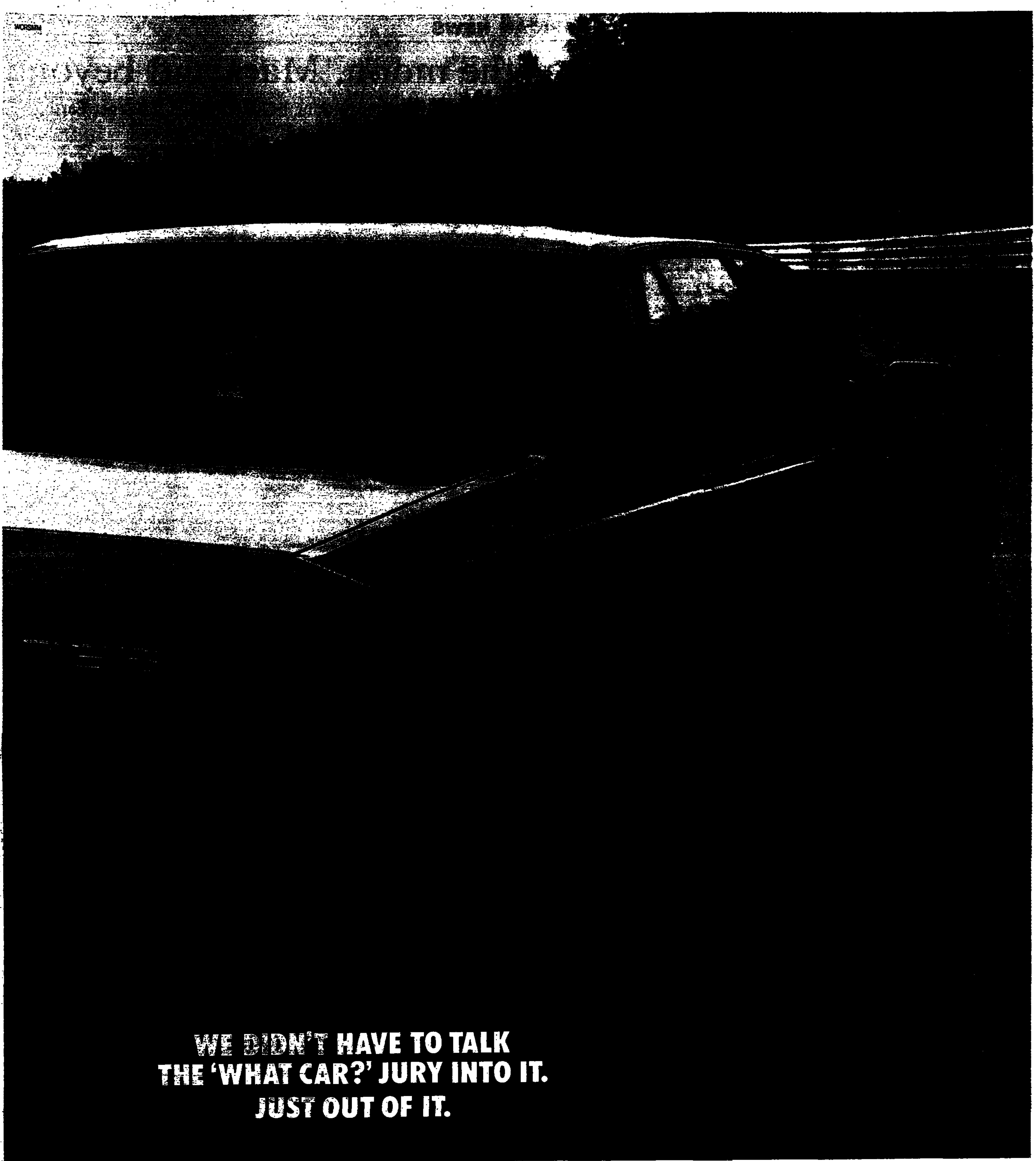
"So far students up to eight years of age are almost illiterate," says Mr Mahshi. He is concerned they are not acquiring "the skill of studying".

"They are reaching the critical age where, if they don't reach certain standards, we know from our knowledge of educational psychology they will be impaired for life."

At the other end of the scale, the problem is to keep up graduation standards and to find jobs or higher education outlets for those emerging from school. The lucky ones find places abroad, but their departure, combined with the closure of universities and colleges, poses a long-term threat. "It means that the skilled manpower needed in the community is slowed down. The longer the closure of schools and universities, the worse it eventually is for the community," Mr Mahshi says.

In narrower schooling terms, Mr Mahshi also wonders what effects the long absences will have on pupil-teacher relationships and general class discipline. He thinks many youngsters who have assumed leadership positions in the intifada underground will find the role of student irksome and even irrelevant. "And social relationships between old and young have changed. The old are not listened to. There has been a restructuring of the relationship between old and young."

But Mr Mahshi himself does not have too much to fear here. Youthful and commanding, he is outspokenly behind the revolt against occupation. His "golden rule" will be to try to conform with the decrees of the intifada leadership, closing, for example, on strike days. That is, if the Israelis don't close him down first.



In 1988, 'What Car?' voted the BMW 735i 'Best Director's Car.'

Come 1989, and despite a number of new contenders, they came to precisely the same conclusion.

The 735i, this time in Special Equipment form, is still the 'Best Director's Car.'

And even before the car had moved, the typewriters were rolling.

"The ergonomic quality of the control and facia layout is superb."

But it was when the ignition key was turned that the praise really started.

"For such a big car, the BMW 735i is surprisingly agile."

Not so surprising when you consider that the chassis underwent three million kilometres of development testing.

It only took the journalists the first couple of miles to appreciate some other features.

"It scores highly on details too, such as the automatic tilt of the external mirror activated by selecting reverse, which allows the driver a view of the kerb."

They concluded that the "engineering excellence, striking styling and a near perfect blend of performance and comfort make the BMW the one to beat."

If you'd like to book a test drive in the 735i, or indeed any of the 7 Series models, just fill in the coupon below and post it to us.

And no doubt in a few miles you'll reach the same conclusion as the jury.

To: BMW Information Service, PO Box 46, Hounslow, Middlesex TW4 6NF. Tel: 01-897 6665. Please send me further information on:–

☐ BMW 730i ☐ BMW 735i ☐ BMW 750i (Please tick)

(Mr, Mrs, Miss, etc) Initial Surname T/2/FT/1

Address

Town County (Post Code)

Present Car Year of reg. Age if under 18

THE ULTIMATE DRIVING MACHINE

THE 7 SERIES STARTS AT £24,500. CAR SHOWN: 735iSE £36,100 EXCLUDING OPTIONAL CROSS-SPOKE ALLOY WHEELS AS SHOWN. PRICES CORRECT AT TIME OF GOING TO PRESS, EXCLUDE DELIVERY AND NUMBER PLATES. INCLUSIVE DELIVERY CHARGE INCORPORATING BMW EMERGENCY SERVICE, £233 + VAT. ALL NEW MODELS (EXCEPT THE M SERIES) CAN TAKE UNLEADED FUEL WITH NO MODIFICATION REQUIRED. FOR A 7 SERIES INFORMATION FILE, PLEASE FILL IN THE COUPON OR TELEPHONE 01 897 6665 (LITERATURE REQUESTS ONLY) FOR TAX FREE SALES, TEL 01 629 9277.

Bush on turbulent course for the moon, Mars and beyond

Roderick Oram examines a presidential reignition of American ambition to send its men exploring beyond the pull of Planet Earth

NO TIME or place was more appropriate for President George Bush to deliver yesterday his rousing challenge to the United States of America to get back into space. Many of the country's greatest achievements are now relics from the 1960s and early 1970s, housed in the Washington museum he chose as a backdrop.

Flanked by Neil Armstrong, Buzz Aldrin and Michael Collins – whose daring journey redeemed 20 years ago yesterday President Kennedy's pledge to put a man on the moon – Mr Bush called for "a new and continuous course to the moon, to Mars and beyond."

Even so, it was a debating agenda, not a gauntlet, he threw down to Congress and the public. He stopped well shy of the grand specific presidential goal many people believe necessary to overcome the political and economic forces which have humbled and hobbled the US space programme for two decades.

Today, Americans would be living on the moon and flying to Mars if the country had maintained its space efforts at the levels of the Apollo mission to the moon, Admiral Dick Truly, the new head of the National Aeronautics and Space Administration, said last week. "We walked away from the initial investment."

Much time and initiative has been lost, "we are struggling to develop the technology we should have had 20 years ago," said Dr Jerry Grey, director of science and technology policy at the American Institute of Aeronautics and Astronautics.

The Apollo programme was a great triumph of technology, achieved in just eight years. But it was one shot aimed only at beating the Soviet Union to the moon and reasserting the superiority of US technology.

Lacking genuine long-term scientific goals, it was easy to kill off. Was it worth sending men to the moon when much else needed doing? people asked. The money went instead to the laudable and the debatable, to good works at home and wars abroad.

Presidents Nixon, Ford, Carter and Reagan had no great vision of the potential of space policy to stimulate technology and science, to capture public imagination and enliven education. Worse, Mr Reagan siphoned off some of the meager funds left to pay for his Star Wars fantasy.

We are struggling to develop technology we should have had 20 years ago

Holding out for a return to the glory days, Nasa tried to survive by accommodating all constituencies on a shoestring budget. The space shuttle exemplifies the result. It turned out too big and costly for manned orbits of the Earth, too small to launch the biggest payloads and too unreliable to be the country's sole space transport.

In one fiery, thunderous moment in early 1986, the Challenger disaster revealed the chronic shortcomings of the country's space policy and its weakened ability to pursue it. A promise to fix them was a plank of Mr Bush's presidential electoral platform last autumn.

He started to deliver by forming, in April, the National Space Council of 12 administration officials, chaired by Vice-President Dan Quayle. For the first time since a predecessor body was disbanded 17 years ago the US has made much effort to co-ordinate space policy. Council members include the heads of Nasa and the Central Intelligence Agency, the Budget Director, the Secretaries of Commerce, State, Defence, Treasury and Transport, and the President's Chief of Staff.

Laying out a highly ambitious range of goals to the president, Mr Quayle urged him to make the grandest declaration possible in the speech yesterday. Given Mr Bush's love of consensus and the complex, competing arguments about the main elements of a space policy, it was no surprise he chose instead to lead, not dictate, the public debate.

The central issue is whether the US should try to land astronauts on Mars some 30 years from now. Advocates say only such a magnificent long-term goal can galvanise the country and stimulate a range of technological developments the way Apollo did in the 1960s.

"Two robots shaking mandibles on the surface of Mars wouldn't have the same impact," says Dr Carl Sagan of Cornell University and president of the Planetary Society. "As the job gets more complicated, men are more essential," argues Dr Grey.

An icon for our time: Buzz Aldrin on the moon

Nasa is realistic, though, about the political hurdles. "A programme of manned exploration will never bubble up from the bottom. It will never be the result of cost-benefit analysis," Adm Truly says. The nation's leaders must demand it.

Opponents are vocal. Putting people in space is an "obsolete concept," says Dr James van Allen whose discovery of radiation fields around the Earth was the first made via a US satellite. "Heroic figures performing simple functions in extreme conditions is no more than a sporting spectacle."

Getting astronauts to Mars would require first at least an Earth-orbiting space station and probably a moon base as well, plus two new types of rocket for building and supplying them. Space Station Freedom is badly bogged down in Congressional budget committees – still only in its preliminary design stage, it is two years behind schedule.

Building it will take some 100 flights by the Shuttle-C, an unmanned, more powerful version of present shuttles and able tolift thrice their 25-ton loads.

Nasa says it would need a second new rocket, the National Aerospace Plane, which would takeoff and land like an aircraft, to lift astronauts to the station. Like the space station, it too is in preliminary design stages

Space station critics argue it is far too ambitious. Assuming it was not needed as a stepping stone to Mars, almost all of its roles could be fulfilled by series of mini-stations. For example, Space Industries, a Houston company, proposes building a $900m station which could handle most of Freedom's experiments.

Save even more money by sending machines, not men, to the planets, say Dr van Allen and others. In fact, Nasa began to revive planetary projects slashed earlier from its budgets by establishing an Office of Exploration three years ago. The Magellan probe, launched from a shuttle in April, is heading for Venus. Galileo is due to leave for Jupiter in October, after waiting years for a shuttle ride. The long-delayed Hubble space telescope should be shuttled aloft in December.

Such equipment would fulfil the need to learn more about the planets while the bulk of resources are devoted closer to home. Humankind should be trying to extend the life of Earth through more intensive satellite monitoring, rather than chasing after "the science-fiction fantasy of human habitation of the solar system," says Dr van Allen. "It's totally outrageous to talk of it in today's economic and sociological climate."

Nasa is already laying plans for a huge observation programme, cleverly calling it Mission to Planet Earth so as to help whip up funds and support. In its grandest conception, the $30bn, 15-year mission would involve up to six huge polar orbit platforms, five geosynchronous satellites and handful of others from the European and Japanese space agencies.

Is the US capable of any or all of these main elements of a space programme? The answer is yes, from the point of view of technology. Even after 20 years of sharply reduced space activity, "we still have a very strong manufacturing capability," says Dr Grey. Further research, design and production resources are becoming available as defence spending is cut.

The answer is a qualified yes, from an organisational point of view. Nasa, the obvious instrument of policy, has

A lot hinges on the president's ability to light the imagination of the public

retained considerable skills through its years in the wilderness. Adm Truly, highly respected as a former astronaut and rebuilder of the shuttle programme after Challenger, appears already to be making Nasa more realistic about its role in life.

However, another shuttle disaster would destroy public confidence in Nasa. The agency admits the probability is one in every 78 flights. Other analysts calculate shorter odds.

The biggest obstacles, though, are money and politics. "Our main concern these days is watching, working, arguing and fighting for our budget in Congress," Adm Truly said last week. A House appropriations sub-committee recently proposed cutting Nasa's fiscal 1990 budget by $1bn to $12.3bn, taking big chunks of money away from the space station, the aerospace plane and shuttle flights.

Going the whole hog for Mars would require a Nasa budget of at least $30bn a year for several decades, though that would be less than the 4.41 per cent of GNP the US spent on space at the height of the Apollo programme. Put another way, the US spends $200bn a year gambling; Congress plans to spend a similar amount solving the crisis in savings and loan institutions which it caused.

Severing the budgetary knot will require forceful leadership from the president. He has a staunch ally in Mr Richard Darman, the Budget Director, who is a self-confessed space fan and believer in its economic, industrial and educational benefits.

"A lot hinges on the President's ability to light the imagination of the public and of Congress," says a National Space Council official.

Some people fear he squandered a unique opportunity yesterday by failing to making a Kennedyesque pledge to land men on Mars. Others argue that he can stake out a vastly more practical space policy, whipping up support with a vision directed towards Planet Earth.

Election of Jaruzelski welcomed by US

By Peter Riddell in Washington

THE US HAS welcomed the election of General Wojciech Jaruzelski as Poland's President, and warned Solidarity of the need to accept sacrifices.

Mr James Baker, the US Secretary of State, who accompanied President George Bush on his visit to Poland 10 days ago, said that, since stability in Poland is a good thing for the US, "I think it's probably a good thing he was elected."

During and after their visit to Poland, Mr Baker and other senior US officials repeatedly praised General Jaruzelski for the extent to which he has moved towards accepting reform since the imposition of martial law in 1981.

Mr Baker argued in a television interview that it was important that the political changes not be aborted early in the process. "It's a difficult enough process, so it's probably a good thing for them to have a president, to have one who's experienced, who's been there before, who can oversee the transition to political pluralism."

He stressed the linkage between US and other international help and internal change.

Asked about the reported disappointment of Mr Lech Walesa, the Solidarity leader, at the size of Western aid, Mr Baker said he would reply, "you've got to adjust, and you've got to reform your economy, you've got to move to a free market, you've got to have trade unions over there, and Solidarity is one of them, be perhaps a little more understanding and reasonable in their demands with respect to benefits and five years of paid maternity and paternity leave kind of demands."

Mr Baker said the US had told Solidarity and others in Poland that, "if you'll reform and if you'll adjust, we'll be there to help you."

Stephen Fidler, Euromarkets Correspondent, adds:

An interim accord on postponing principal payments to Poland's bank creditors has obtained the necessary 95 per cent approval of the creditor banks and is now effective.

As reported, the accord allows Poland to postpone principal repayments, amounting to roughly $200m, due between now and the end of 1990, into 1991. Under the accord, Poland will pay a $24m principal payment, delayed since April, before the latest round of talks with the banks began.

Talks with the banks on a more extensive agreement on the country's $9bn debt to commercial banks are expected to start again in September or October.

Poland had kept up to date until April on both principal and interest payments to banks, to which it had accorded preferred creditor status.

It is hoping to benefit from the debt reduction initiative launched in March by Mr Nicholas Brady, US Treasury Secretary.

The Fed embarks on a difficult balancing act

By Peter Riddell, US Editor, in Washington

A SHIFT in the balance of the US Federal Reserve's policy away from the risk of greater inflation towards avoiding recession was indicated yesterday by Mr Alan Greenspan, the board's chairman.

In his half-yearly report on monetary policy to Congress, Mr Greenspan confirmed the change in the Fed's approach, reflected in the easing in reserve conditions for banks and two cuts in short-term interest rates in the past six weeks. He argued that the Fed faced "a difficult balancing act," noting that the underlying inflation rate, after coming down quickly in the early 1980s, had accelerated only modestly.

"But now signs of softness in the economy have shown up. Accordingly, it is prudent for the Federal Reserve to recognise the risk that such softness conceivably could cumulate and deepen, resulting in a substantial downturn in activity.

"We also recognise, however, that a degree of slack in labour and product markets will ease the inflationary pressures that have built up. So our policy, under current circumstances, is not oriented toward avoiding a slowdown in demand, for a slowing from the unsustainable rates of 1987 and 1988 is probably unavoidable. Rather what we seek to avoid is an unnecessary and destructive recession.

"The balance that we must strike is to support moderate growth of demand in the near term, while concurrently progressing toward our longer-run goal of a stable price level."

Mr Greenspan continually returned to the fine balance of avoiding recession and containing inflation. He noted that "recent developments suggest that the balance of risks may have shifted somewhat away from greater inflation. Even so, inflation remains high – clearly above our objective."

The latest "central tendency" projections of the Fed's governors and regional bank presidents are somewhat more pessimistic about economic growth and inflation than the mid-year forecasts produced by the Bush administration on Tuesday, as shown in the accompanying table.

Mr Greenspan said the Fed projections of 2 per cent to 2½ per cent real growth in Gross National Product over the four quarters of this year implied continued moderate economic expansion, strongest in the investment and export sectors.

Consumer price inflation is projected to be 5 per cent to 5¼ per cent over the year. While this would be the highest annual rate in the US since 1981, it would imply a considerable slowing over the rest of 1989, reflecting earlier monetary policy restraint and a prospective moderation in food and energy prices. Mr Greenspan described most of the acceleration in inflation in the first half of the year as transitory.

For 1990, the Fed governors and presidents have projected real GNP growth of 1½ per cent to 2 per cent, which is considerably lower than the administration forecast. Inflation is projected at 4½ per cent to 5 per cent.

Mr Greenspan told the congressional committee: "Federal Reserve policy is focused on laying the groundwork for more definite progress in reducing inflation pressures in 1990, while continuing support for the economic expansion. The ranges provisionally established for growth of money and debt next year are consistent with these intentions. They allow for a noticeable pick up in money growth from that likely to prevail this year, should that be appropriate.

"If pressures on prices and in financial markets are less intense than in recent years, velocity [the ratio of nominal GNP to money] would not be expected to continue to increase, and faster money growth, perhaps in the top half of the range, would be needed for a time to support economic growth. Conversely, if price pressures prove intractable, the ranges are low enough to permit the needed degree of monetary restraint," he said.

He revealed that at its meeting two weeks ago the policy-making Federal Open Market Committee decided to confirm the annual ranges for money and credit growth in 1989 set in February and "tentatively decided to maintain these same ranges through 1990."

While this represents a halt to the three-year gradual lowering of the ranges, Mr Greenspan insisted that "the Federal Reserve's intent to make further progress against inflation remains intact. Uncertainties about the outlook suggested a pause in the process of reducing the ranges; however, the committee recognises that our goal of price stability will require additional downward adjustment in these ranges over time."

The target ranges for M2 have been reconfirmed at 3 per cent to 7 per cent, and 3.5 per cent to 7.5 per cent for M3, with no range specified for M1. The Fed's domestic debt target range, covering the debt of domestic non-financial sectors, has been reaffirmed at 6.5 per cent to 10.5 per cent for 1989 and set tentatively at the same figures for 1990.

Mr Greenspan discussed various factors slowing monetary growth this year and boosting velocity, of which probably the most important was the unexpectedly large size of personal tax liabilities in April. The difficulties of the thrift industry may also have affected M2 growth.

Recently, however, growth of the broader monetary aggregates has picked up markedly as the restraint imposed by the earlier rise in market interest rates is fading and households appear to be rebuilding their tax-depleted balances.

Mr Greenspan noted that "in view of the apparent variability, particularly over the short run, in the relationships between the monetary aggregates and the economy, policy will continue to be carried out with attention to a wide range of economic and financial indicators."

Greenspan: Focusing on laying the groundwork

Brazil fights to stem inflation

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S embattled Finance Minister, Mr Mailson da Nobrega, has hinted strongly that he would resign rather than impose a new price freeze to stem the country's 25 per cent monthly inflation.

His message is part of a hearts-and-minds campaign by the government's economic team to prevent a headlong rush to raise prices.

It is being delivered to Brazil's top businessmen at a series of dinners at the minister's house in Brasília this week, in an attempt to counter widespread speculation that Brazil may be heading down Argentina's path to hyper-inflation.

Last week, the powerful industrialists' federation in São Paulo state, the country's most productive region, openly called on the government to bring about a recession so as to dampen pressures for price rises.

However, during four evenings with leading industrialists, retailers and financiers, Mr da Nobrega has been repeating his warning that spiralling inflation can be held at bay only if business avoids panic measures.

It was a generalised collapse in confidence that pushed inflation beyond 50 per cent in January, forcing Brazil's third price freeze in as many years. Last month, inflation leapt from 9.9 per cent in May to 25 per cent.

A guest at one of the dinners said Mr Nobrega's main objective was to convince influential business figures that price increases can be kept at about this rate till the presidential election in November. "He was very clear that he is not going to try to solve Brazil's inflation problem. The objective now is to keep the country stable until a handover of power."

In a seven-page document distributed to his guests, the minister tried to show that, while the underlying structural causes for inflation remain, indicators are showing a number of positive signs:

- a recuperation in tax receipts – 21 per cent over target in June – as a consequence of fiscal measures;
- virtual equilibrium in the Treasury's credit operations, a surplus on the fiscal budget before debt service operations and a 35 per cent reduction in its overall deficit;
- a reduction in the expansion of the money supply to substantially below the inflation rate;
- a sharp improvement in the trade surplus, despite increased imports, and foreign exchange reserves at more than $6bn;
- steady demand and an increase in industrial output, with a deceleration in price rises.

The analysis concedes that the government's overall deficit will end the year at 5 to 6 per cent of GDP, but it claims that this represents strong controls on spending as provisions in the new national constitution required new expenditure valued at 3.5 per cent of GDP.

Mr Nobrega justified as essential his decision this month to channel all foreign exchange dealings through the Central Bank and delay certain foreign debt payments.

It aimed to stabilise reserves at $6bn (equivalent to imports for four months) to allow an incoming president space to manoeuvre on the foreign debt, and to discourage any surge of capital flight abroad.

Whether the minister's propaganda offensive will prove enough to calm ragged nerves in Brazilian business will be seen over the coming three months.

He emphasised that the outcome lay in leaders of the business community keeping their heads: "Only you people can drive us into hyper-inflation and, if you do, you will end up the losers."

Move to drop charges against Poindexter

MR Lawrence Walsh, independent prosecutor in the Iran-Contra trials, yesterday asked a federal judge to dismiss the most serious charges against retired Admiral John Poindexter, Col Oliver North's former White House boss, Reuter reports from Washington.

Mr Walsh said he was trying to avoid delaying Admiral Poindexter's trial over the use of sensitive national security secrets by dropping charges of conspiracy to divert funds from US arms sales to Iran, theft of government property and fraud.

The admiral would still face criminal charges of lying to Congress and obstructing the congressional Iran-Contra investigation at his trial, expected to start this autumn.

He was President Ronald Reagan's national security adviser for nearly a year until he resigned when the Iran-Contra scandal was disclosed on November 25 1986.

The same problems over disclosure of classified information forced Mr Walsh to drop similar charges against Col North.

The charges arose from the scheme to divert millions of dollars from US arms sales to Iran to the Nicaraguan Contra rebels at a time when official US aid was banned.

Mexico's opposition disputes poll result

By Richard Johns in Mexico City

MEXICO'S opposition Party of the Democratic Revolution (PRD) yesterday claimed to have beaten the ruling Institutional Revolutionary Party (PRI) by 15 per cent of the popular vote in the south-western state ofMichoacan, despite the PRI's claims to victory.

The PRD claims to have won 48 per cent of the vote in the state legislative and municipal elections held on July 2, compared with 33 per cent for the ruling party.

At the same time, President Carlos Salinas de Gortari, in a surprising acknowledgement, admitted the governorship and state legislature of the north-western border state of Baja California had been lost this month to the National Action Party (PAN) because of errors by, and corruption of, officials in the past. Talking to PRI women activists here, he made no comment about the hotly disputed and questionable outcome of the Michoacan elections.

There the PRD's calculation is based on 90 per cent of the original signed election certificates, from 90 per cent of the polling stations in 14 out of 18 districts.

Ms Amalia Garcia, a Michoacan Congresswoman in the National Assembly, said the PRD had been unable to obtain complete original results from all polling stations "because PRD representatives were expelled from polling stations, ballot boxes were stolen and reports were altered".

Mr Cuauhtémoc Cárdenas, leader of the PRD, spoke of "the enormous and monstrous fraud of Michoacan". In the light of it, he said, it was understandable that PRD supporters and sympathisers from the PAN – which supports the fraud allegations – had reacted by blocking all the main roads in Michoacan.

Disruption to traffic in protest against the official result continued on Wednesday for the fourth successive day. It could lead to a serious showdown with the authorities. "How can we respond peacefully," asked Mr Cárdenas, who emphasised that the blocking of the roads was a spontaneous reaction and not an action decided by the national executive committee of the PRD.

The PRI-controlled state electoral commission adjudged the party to have won 12 of 18 directly elected seats, and gave the PRD six.

Pay boost pledge for Argentine workers

By Gary Mead in Buenos Aires

MR Nestor Rapanelli, Argentina's Economy Minister, has said a one-off emergency payment of 30,000 australs (£28 at current exchange rates), to be distributed in July to both public and private sector workers, is now to be permanently incorporated in all future salaries.

President Carlos Menem has also announced that Argentina has paid $40m interest to the International Monetary Fund. Mr Menem described the payment as a demonstration of goodwill. The country will seek to clear all its arrears with the Inter-American Development Bank and the World Bank, Argentina's foreign minister, Mr Domingo Cavallo, told a news conference in Washington.

On Saturday the final members of an IMF delegation arrive to discuss Argentina's hopes of signing a new letter of intent, the key to unlocking fresh IMF financing. Argentina has a $60bn foreign debt, and has in effect operated a complete moratorium on payments since April 1988. Mr Menem promised to achieve a five-year grace period in which foreign debt payments would be suspended.

The IMF has indicated cautious support for his economic plans to date. However, it is known to want to see some results, particularly in cutting the fiscal deficit (now reaching 15 per cent of GDP, around $140bn), before a new letter of intent can be signed.

The government is also to receive some $375m in the form of a credit bridge, as a result of an agreement reached with local grain exporters. The exporters have agreed to sell 2.5m tonnes of grains, profits from which will be left on deposit for 90 days in New York in the Banco de la Nacion Argentina, at the disposal of the Argentine government. Interest will be charged at 4 or 5 points above Libor.

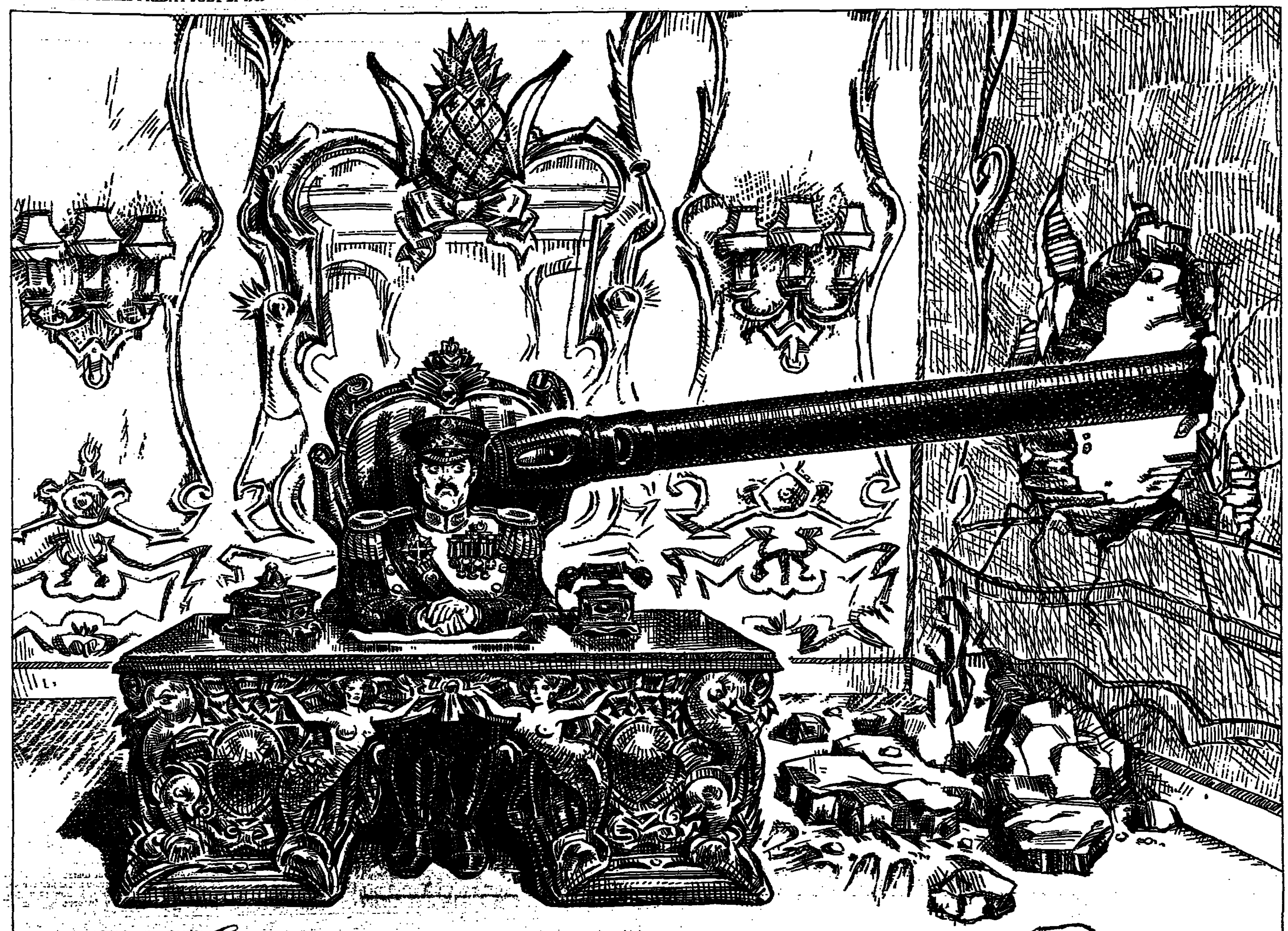
President Menem said yesterday that the general salary increase was part of an election promise he made, to recover the real purchasing power of salaries, which has dropped by as much as 57 per cent since 1984.

The decision comes at a time when 20 of Argentina's strongest trade unions are in the middle of tough wage negotiations to keep pace with inflation, now running at 200 per cent a month. The government's position to date has been that it was prepared to accept settlements of 160 per cent on current wages, to last until the end of September.

That has been strongly opposed by most unions. However, 1m agricultural workers settled earlier this week for a 155 per cent increase, intended to last three months.

The incorporation of the emergency payment into salaries is unlikely to satisfy unions such as the civil servants' union, which wants a 409 per cent rise to keep pace with inflation between June and the end of September.

صكنا من الاجل



UK NEWS

Thatcher moves to calm party fears

By Philip Stephens and Michael Cassell

MRS Margaret Thatcher yesterday foreshadowed her imminent cabinet reshuffle with a determined attempt to calm the frayed nerves of Conservative MPs and to defuse mounting alarm over arrangements for the introduction next year of the poll tax.

Facing renewed demands from her supporters at Westminster that Mr Nicholas Ridley should be moved or sacked, the Prime Minister issued a *firm defence of her Environment Secretary.*

In a highly-unusual move, Downing Street issued an official statement denying reports that Mr Ridley had been reprimanded during a half-hour meeting with Mrs Thatcher yesterday morning. The statement appeared to ensure the Environment Secretary a place in the new Cabinet, although *he is still expected to be given* a different portfolio.

Mrs Thatcher later devoted much of her traditional "end-of-term" address to the 1922 committee – made up of non-government Conservative MPs – to defending the poll tax.

She assured the MPs that, although no more extra money was available to smooth its introduction next April, any problems could be sorted out before the next general election with different arrangements for 1991.

In what backbenchers described as an upbeat "pep talk", she said the Government was determined to push ahead with its programme, and was *confident that once it had* brought down inflation most of its problems would be resolved.

Emphasising that its most successful policies had initially been unpopular, Mrs Thatcher *said her controversial plans for* the health service would eventually ensure that "the health service will be so good that nobody will go private again."

Her speech came amid alarm among MPs about the impact of the transitional rules for the poll tax, and further sharp criticism of Mr Ridley's handling of the issue.

That concern was reflected by Mr Cranley Onslow, chairman of the 1922 committee, in his introductory remarks at yesterday's meeting. He said the "safety net" arrangements under which low-spending Conservative councils will transfer resources to high-spending Labour ones had *compounded the potential* unpopularity of the poll tax.

Earlier, Mr Ridley had told a separate meeting of the Conservative environment committee that meeting the demands would have cost £650m in addition to the £200m he had made available earlier this week.

Mrs Thatcher stressed that *the new system of financing* local authority spending through a tax on individuals aged 18 and over would be much fairer than the existing rates system, which is based on home ownership. There was open acknowledgement among senior ministers, however, that the presentation of its case has been badly handled and a confident expectation that Mr Ridley would soon be moved.

The new Cabinet team is expected to be unveiled on Monday, but there is some nervousness among ministers that the reshuffle might come even sooner. Pressure for an early announcement has been reinforced by concern among Conservative MPs that Mrs Thatcher may lose the initiative if she delays much longer.

Tories get the tax jitters over standings in the polls

Michael Cassell sums up the party's concerns

IF THE polls are making the Conservative Party nervous, the poll tax is now threatening to scare it out of its skin.

The latest anxiety attack was provoked by Wednesday's unfortunate performance in the House of Commons by Mr Nicholas Ridley – already described at Westminster as the former Environment Secretary – who faced the sort of hostile reception from his own side that made Labour's ritual condemnations appear almost helpful.

The poll tax, originally conceived as simple and fair replacement for an archaic and indefensible rating system, is no longer a distant solution to an age-old problem. It is operational in Scotland, only eight months away in England and Wales and, for some Tory MPs, too close for comfort.

This week's outbreak of Tory anger and confusion surrounding Mr Ridley's latest "safety-net" proposals, intended to ensure gainers provide temporary help to the losers, looks certain to end his controversial tenure at the Department of the Environment.

Few were blaming him for his department's failure to distribute, in time for his statement, the crucial documents spelling out to MPs the impact on their own constituencies. They were far less forgiving over his failure to solve a problem – that of people living under provident Tory councils being called on to bail out those in profligate Labour areas – having demonstrably recognised that it existed.

Where, they ask, is the fairness? What has happened to accountability? Mr Ridley's indignant assertions that it will all come out in the wash before the next general election won him few new friends.

Not many Tory MPs will be too concerned about his fate but they remain extremely nervous over their own positions and fearful about the overall impact on the party. As one backbencher said last night: "We are still digging a deeper hole for the poll tax hole when we are supposed to be filling it in."

Ridley: hostile reception

The safety-net issue will be the subject of intense, continuing pressure throughout the summer on whoever moves to Environment. With Tories still in revolt, the new incumbent will be faced with finding a quick solution.

Sir Rhodes Boyson, a leading Tory critic of the safety-net plan but a firm supporter of the poll tax, said yesterday that the Government would have to cough up more cash or scrap the subsidy scheme.

The circumstances surrounding Mr Ridley's impending departure give an added twist to the reshuffle mania sweeping through the Members' Lobby. Some MPs believe that the Prime Minister's ability to present Cabinet changes in a positive light will have been seriously undermined by the poll tax mess; now she will be seen to be engaged in some sort of damage limitation exercise.

Equally, with MPs expecting the Department of the Environment to remain intact but to win two places at the Cabinet table, who will get the hot seat? Whichever junior partner gets the "green" mantle, he will not be able to sell the good news along with the bad tidings on poll tax.

In which case, the Environment Secretary will lead the offensive. Mr Michael Howard, the junior environment Minister who steered the poll tax through Parliament and has just done the same with water privatisation is the newest thoroughbred in the race.

Calculations abound over how many Tory marginal seats could fall unless the Government gets its act together, not least over the safety-net plan. There is a feeling that the latest presentational calamity, however temporary, can only have added to the mountainous task of winning acceptability for the tax.

There is, in addition, a more general concern that a whole generation of voters, converted to the Tory cause on the back of council house sales, could be alienated by the financial impact on their families.

A tax which could only hurt people who would never vote Tory has, to some extent, become seen as a tax which could sweep away some of the party's own supporters.

With ministers such as Mr Chris Patten, the Minister for Overseas Development and a candidate for the "green" post, contemplating defeat in Bath because of the tax, the issue is not merely the preserve of faint-hearted Tories.

By yesterday, ministers were already acknowledging that the Government has a tough fight on its hands and will have to concentrate on getting across the message that the new arrangements are preferable to anything that has gone before.

More optimistic Tories suggest that, while the short-term outlook is bleak, the arrival of the tax will dispel many of the scare stories that have been expressed. Even more optimistically, some speak of winning back the ground as soon as the Government attacks Labour's "twin-tax" proposals.

According to one MP: "Once people see the poll tax in place and once they are faced with the alternative, they won't think it is such a bad thing after all." First, however, the Tory Party at Westminster, which dutifully backed the poll tax legislation, must be convinced that it can win through.

True believer poised for a change

By Philip Stephens

MR Nicholas Ridley, the Environment Secretary, is rather like a green olive – an acquired taste – according to one senior Conservative at Westminster.

The latest uproar surrounding his handling of the poll tax issue suggests that his 30 years in the House of Commons have failed to enliven the palates of most of his Conservative colleagues.

"Ridley signs his political death warrant" is how one aggressively pro-Government newspaper headlined his chaotic performance in the Commons on Thursday.

Tory backbench MPs were said to be queuing up at the Whips' office to underline their demands that the Prime Minister use the impending reshuffle to move him from Environment.

Even before the latest incident it was clear that he was not the man to respond to mounting public pressure for a *more environmentally friendly* Government and so would be moved in the reshuffle.

Spelling out to consumers that they will have to pay for a better environment in higher prices may be *intellectually* honest but does not win votes.

Few of his colleagues believe, however, that Mrs Thatcher will sack him. Her comment yesterday that she had the "greatest confidence" in him, strengthened the view that he will be offered the Department of Trade and Industry.

If she sacked him, Mrs Thatcher would be getting rid of one of the few "true believers" in the Cabinet, a man who was arguably a Thatcherite before she invented the word.

While Mrs Thatcher stayed in Mr Edward Heath's Cabinet when he began his elaborate U-turn in 1972, Mr Ridley resigned from a junior post at Trade and Industry rather than support massive state aid for industry. He urged denationalisation in 1969 and was a monetarist well before she understood what that meant.

He would also, according to friends, love to go back to the DTI to implement the policies which Mr Heath prevented him from pursuing.

Doctors vote against plan to introduce service contract

By Alan Pike, Social Affairs Correspondent

FAMILY DOCTORS have overwhelmingly rejected a planned contract implementing the Government's health service reforms.

However, Mr Kenneth Clarke, the Health Secretary, immediately declared that he intended to go ahead with preparations to implement the contract next April. He said he saw "no sensible basis" for reopening negotiations with BMA leaders.

General practitioners voted 7,075 in favour of the contract and 22,241 against in the ballot, conducted for the British Medical Association by the Electoral Reform Society.

The BMA and Department of Health reached agreement on the new contract in May, at the end of a 10-hour session of negotiations in which Mr Clarke led the government side. But the agreement ran into immediate opposition at BMA meetings around the country.

The hostility culminated in a GPs' conference narrowly *rejecting* the contract, but deciding to leave the final decision to a ballot of all family doctors.

The main reason for yesterday's heavy rejection is because of proposals to increase the proportion of GPs' income based on capitation – the number of patients on their lists – from about 47 per cent to at least 60 per cent.

BMA negotiators said they had to accept *this as part of* the compromises leading to the final package. But many doctors fear it would generate unhealthy competition for patients and reduce the amount of time available for each appointment. There has been criticism of the BMA negotiators for agreeing to something so central to the market-oriented approach of the reform policy document to which the BMA is opposed.

Dr Michael Wilson, chairman of the BMA's general medical services committee, said yesterday that it would be bad for morale in the profession if Mr Clarke imposed a contract which GPs had rejected. But Mr Clarke said he did not believe anyone seriously expected the Government to go back on its desire to introduce a contract which would "reward those who work hardest and provide good quality services."

Although the ballot result is an embarrassment for the BMA leaders who agreed the contract, the rejection *will* also disappoint Mr Clarke. He hoped that he had separated the contract issue from his efforts to dilute the BMA's opposition to the wider package of health reforms.

ICI deal set to increase pressure for higher pay

By Charles Leadbeater, Mike Smith and Fiona Thompson

EVIDENCE of mounting pressure for higher pay settlements emerged yesterday after unions leaders of about 25,000 manual workers at Imperial Chemical Industries, one of Britain's largest manufacturing companies, agreed to recommend acceptance of a 9.6 per cent pay offer.

In other negotiations, unions at British Telecom, the country's largest private sector employer, rejected an improved 8.3 per cent offer to 155,000 staff and London Underground increased its rejected 7.25 per cent pay offer to 20,000 staff to 8.75 per cent in an attempt to end three months of disruption on the Underground.

The ICI offer, which is one of the highest at a large manufacturing company this year, matches some of the increases awarded by financial services companies, which have taken the lead in awarding pay settlements over 9 per cent. The ICI unions agreed to recommend the offer after it had been improved from 8.8 per cent.

Following the 9.2 per cent deal for 76,000 manual workers in the electricity industry, this sets a pay target of more than 9 per cent for unions in pay negotiations due to start this autumn.

The ICI deal, combined with other settlements such as a 9 per cent rise for 4,500 manual workers employed by Glaxo, the chemical company, and a 10 per cent deal announced on Wednesday for 9,000 Post *Office parcel staff,* could push average earnings from an underlying annual increase of 9.25 per cent to close to 10 per cent later this year.

This upward drift will be fur*ther fuelled next week* when local authority employers are expected to agree a 9.25 per cent increase for police officers.

This will increase pressure in negotiations at Ford and Vauxhall Motors covering more than 40,000 manual workers which will start in October, and pay talks for almost one million local authority local manual workers to start in September. The rises will also increase pressure on public sector employers such as the BBC and local authorities.

Dockers' leaders to review strike tactics

By Jimmy Burns, Labour Staff

THE TGWU transport union has decided to call two meetings of dockers' representa*tives next Friday which may* pave the way for an end to the two-week-long docks strike.

The union said last night the 25-member docks committee yesterday reaffirmed its support *for the "vast majority" of* former registered dockers still on strike to press for a new national agreement with port employers.

Mr John Connolly, national docks officer, *again called for* a national framework agreement covering basic conditions and urged employers to negotiate.

However, the convening of a special meeting of the docks committee and of the 80-man Docks Delegate Conference *next week comes amid* signs of growing disaffection with the dispute in Southampton, one of the main ports on strike.

It is understood that some Southampton dockers want a *mass meeting called by early* next week to consider calling off their action. Any decision at Southampton would be critical in deciding the outcome of the dispute.

Swedish trade unions said yesterday they plan to stop loading and unloading goods from the UK from July 28 if the docks dispute continues.

BR makes new bargaining offer

By Charles Leadbeater and Fiona Thompson

DETAILS of the *wide-ranging* concessions British Rail has made to the rail unions over its plans to change collective bargaining procedures are disclosed in the confidential proposals sent to the unions last Monday.

The document shows that BR has conceded that there should be a significant role for centralised national bargaining covering all its 130,000 staff. In addition it has backed down on the use of arbitration and the unions' freedom to refer local issues to national bodies.

The document sharply contrasts with a briefing pack issued in May which said BR planned that all collective bargaining would be handled by functional councils covering different grades of staff. BR was intent on limiting the union's ability to refer issues from local to national level as this had helped to delay negotiations on key issues.

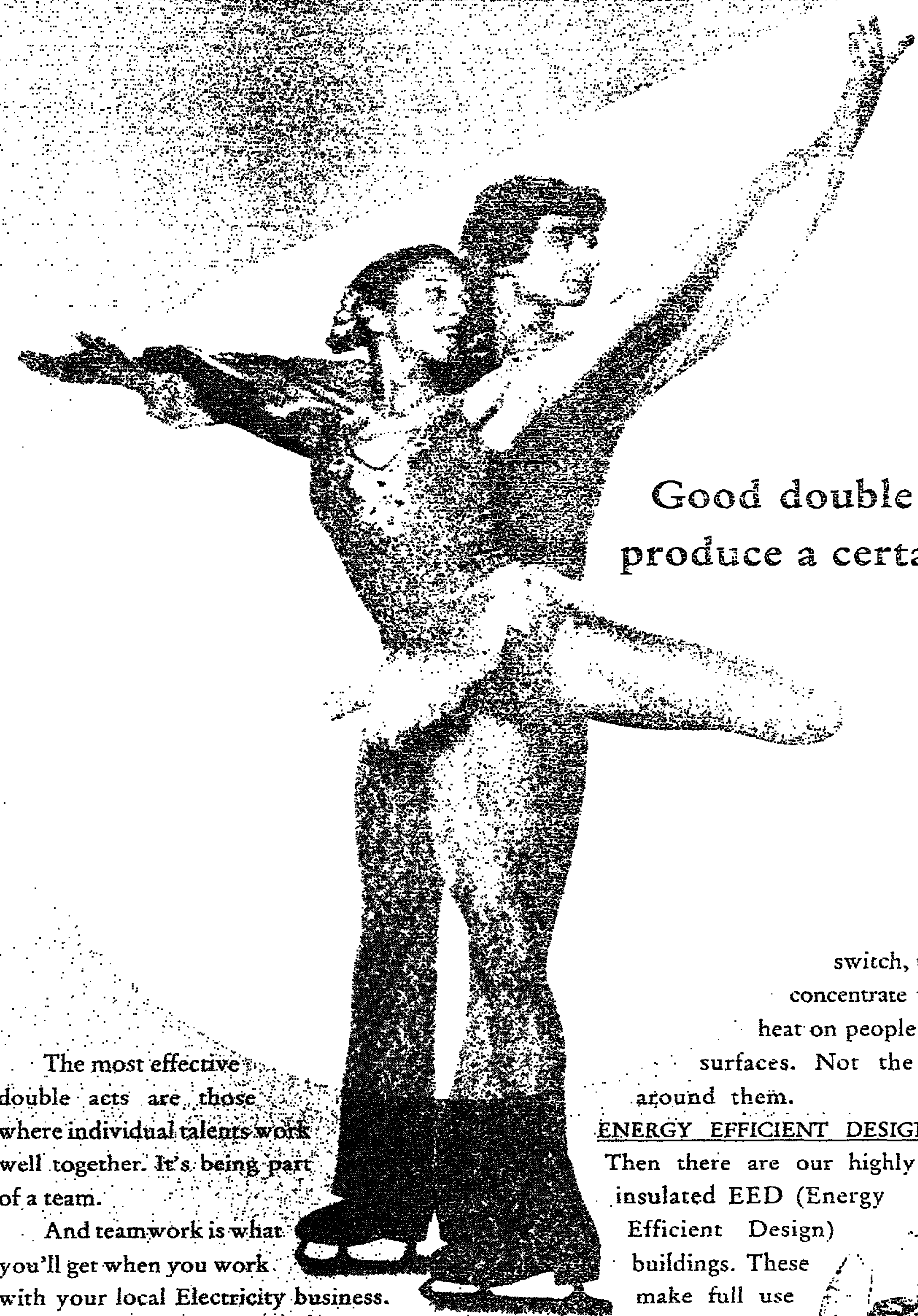
It says a National Conference "will conduct general pay reviews for all wages and salaried staff" employed in the five groups; operations, civil engineering, services, signals and telecommunications and mechanical and electrical engineering.

The conference would discuss collective bargaining principles, industry-wide allowances and enhancements, *annual and public holiday* leave, basic London allowance policy, as well as pensions, retirement, sick pay, discipline, travel facilities, welfare policy, occupational health and medicine, redundancy payments and equal opportunities.

In an accompanying letter, Mr Paul Watkinson, BR's director of employee relations, says: "The standard working week, currently 39 hours or 37 hours will only be changed through discussion at national conference."

The BR document adds that unions would still be able to unilaterally refer issues to arbitration, although the award would not be binding.

صورة من الأصل



Good double acts always produce a certain electricity.

The most effective double acts are those where individual talents work well together. It's being part of a team.

And teamwork is what you'll get when you work with your local Electricity business. Together we'll find the best solutions for you. Business's aim is success.

Electricity's is to provide a working environment conducive to it.

HOT FAVOURITE

Take heating, for example. The problem is how to keep your staff warm efficiently and economically.

That's why electric storage heaters are such a hot favourite.

Working together in close harmony is a sure way to keep in the swim financially.

Quick, simple and cheap to install, they make full use of low-cost night-rate electricity to store heat, and then release it gradually during the day.

SPOT ON

Quartz linear lamps, meanwhile, are fast, directional and precise. At the flick of a switch, they concentrate their heat on people and surfaces. Not the air around them.

ENERGY EFFICIENT DESIGN

Then there are our highly insulated EED (Energy Efficient Design) buildings. These make full use of free heat available from people and office machines.

Their direct-acting panel heaters, running on low-cost night-rate electricity in the early hours, ensure that offices are warm and comfortable by the time staff arrive.

And thanks to all that free heat generated by people and machines, the system only needs small top-ups of energy during the working day.

BLOW HOT AND COLD

Electric heat pumps are another sound business proposition. These extract valuable warmth from the outside environment, or even gather waste heat from manufacturing processes.

They boost the temperature of this heat and circulate it where it's needed most.

In hot conditions, many heat pumps can go into reverse, replacing oppressive heat with cool, dehumidified air.

And some systems even re-use this extracted heat to provide hot water.

HOT WATER ON TAP

Speaking of which, don't forget the advantages of electric water heaters themselves.

Plenty of hot water is only one of them. There are no flues, because there are no fumes.

And there are no installation problems because there's hardly any piping. Just lots of piping hot water.

THE RIGHT RECIPE

Teamwork is a great recipe for success.

Catering too, can benefit. From restaurant to five-star hotel, in staff catering, hospital, school or nursing home, modern catering and energy management systems make a cleaner, more efficient kitchen.

But then again, as we have seen, the beauty of electricity is a cleaner, more efficient everything.

To find out how it could benefit your business, post the coupon now.

Or contact the Energy Marketing Manager at your local Electricity business.

And let's work together.

To: Electricity Publications, PO Box 2, Feltham, Middlesex TW14 0TG. Please send me information on:

☐ Space Heating ☐ EED Buildings ☐ Heat Pumps
☐ Water Heating ☐ Catering Tick as required

Name ______ Position ______

Company ______

Address ______

Post Code ______ Tel. ______

PLANELECTRIC

LET'S WORK TOGETHER

SEEBOARD · ELECTRIC · SWEB · eastern electricity · East Midlands Electricity · MEB · ELECTRICITY · Manweb · Yorkshire Electricity · NEEB · NORWEB

Damning chronicle of the failure of a huge City deal

THE REPORT published yesterday of the Department of Trade and Industry's inspectors on County NatWest is – in places – a damning chronicle of the failure of one of the City's largest financing deals of 1987.

It also highlights the subsequent efforts to try to conceal the failure from the market and the authorities.

The report attaches the blame for this largely to members of the corporate finance departments of County NatWest and Phillips & Drew, who were desperate for the Blue Arrow deal to succeed.

It shows that both these entities had remote and – at least in County's case – uncomprehending parents who failed to ask the proper questions and exercise effective controls.

The most severe sections of the report blame particular corporate finance executives for a range of misdeeds. These include deliberately making arrangements to circumvent the disclosure requirements of the Companies Act; misleading their colleagues, their superiors and the authorities about the size and nature of the placement arrangements they were making; and lying to the Bank of England about the legal advice received.

The most senior people blamed are the three executive directors of NatWest group – although not for being party to the Blue Arrow dealings but for failing in their duty to get at the truth after the fact.

The most senior people in both NatWest group and County are specifically spared direct blame on the ground that they put their faith in executives who misled them.

Not surprisingly, therefore, one of the report's main conclusions is that controls and management at NatWest should be strengthened. NatWest's chairman, Lord Boardman, insisted yesterday that they had been.

The report also points up weaknesses in the Companies Act, which it recommends the Department of Trade and Industry to examine – particularly loopholes in the act which enable companies to avoid disclosure requirements.

There is no recommendation at the end of the report that particular individuals or institutions be prosecuted. However, the fact that the report has been passed on to the Serious Fraud Office, the Stock Exchange and the Bank of England means legal action is still possible.

The report does, after all, say that the Companies Act was breached.

It is likely to become something of a seminal document in the City, recounting as it does in considerable detail the way in which corporate financiers go about their business.

The circumstances of Blue Arrow may be exceptional, but as the inspectors make clear, many of those they interviewed claimed that the practices described were widespread.

With the Guinness affair still in the pipeline, the publication of this long-awaited report will not lay to rest the air of scandal which still hangs over the City.

If the report leaves little doubt that the inspectors got to the bottom of what went on at County, what they found certainly did not present an attractive picture.

THE REPORT criticises many individuals by name, though it grades the severity of their misconduct. The most heavily criticised are those whose conduct "fell well below that to be expected from responsible executives." These are:

Mr Nicholas Wells, executive director of County NatWest and the member of the corporate advisory department in charge of the Blue Arrow deal. He was responsible for County's failure to fulfil its statutory disclosure duties. He made misleading statements about the extent of the rights take-up, he misled his superiors and the market, and he misled the Bank of England about the legal advice which had been taken as to the legality of the position.

Mr David Reed, executive director of County NatWest with responsibility for the corporate advisory department. He made misleading statements about the rights take-up, he misled the markets, and failed to question Mr Wells closely about the extent of legal advice taken. He was responsible for "deliberate evasion of disclosure obligations."

Mr Christopher Stainforth, director of Phillips & Drew corporate finance, made misleading statements about take-up, misled the market and placed a misleading advertisement.

Mr Martin Gibbs, head of corporate finance at Phillips & Drew, made misleading statements about take-up, misled the market and placed a misleading advertisement.

Those whose conduct "fell below" that to be expected of senior executives included the three deputy group chief executives and executive directors of the NatWest Group: Mr Charles Green, Mr Terry Green and Mr John Plastow. Because of their lack of experience they were unable to examine critically what they were being told by Mr Wells and Mr Reed. They failed to inquire whether there were alternative courses of action.

"Having raised one or two obvious points and having received some comfort in relation thereto, they accepted the position... They had a real responsibility for the lawful conduct of business by the NWB group. In our view they did not properly carry out that responsibility..."

They should have realised, the report says, that there could have been other Blue Arrow holdings elsewhere in the group, which inquiries would have revealed. "They did not initiate any such inquiries. The consequence was that NWB did not perform its relevant statutory duties."

The report says that Ms Elizabeth Brimelow, compliance officer at County NatWest, failed to concern herself closely enough with the Blue Arrow arrangements, causing the compliance department to lose an opportunity to intervene.

Also criticised is Mr Stephen Clark, executive director of County NatWest. He gave the Bank of England inaccurate information about the legal advice received and had an inadequate appreciation of the facts at a meeting with the Bank. His conduct was "unsatisfactory."

Several players are specifically exempted from criticism:

Lord Boardman, NatWest chairman. He was entitled to rely on what Mr Charles Green, the deputy chief executive had told him.

It would not be fair to criticise him for not initiating further inquiries of his own.

The three deputy chairmen: Lord Harrowby, Sir Edwin Nixon and Sir Philip Wilkinson. In light of what they had been told, it would be unfair to criticise them for not taking any further action themselves.

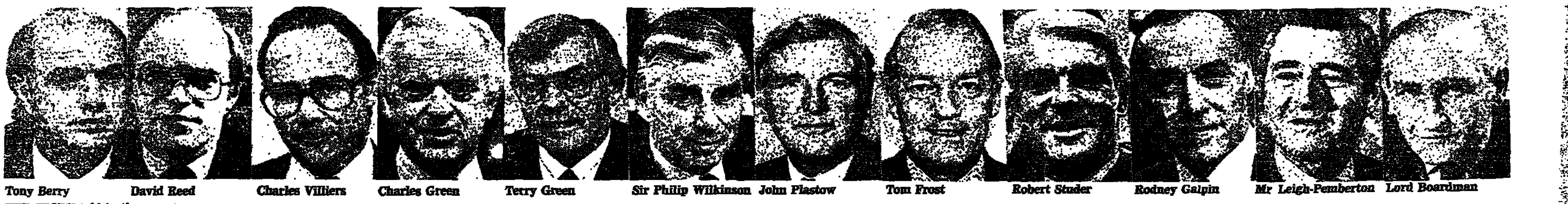
Mr Tom Frost, NatWest chief executive. He was justified in assuming that he could rely on his deputies to ensure that NWB performed its statutory duties. "Regrettably his assumption was misplaced" but the inspectors do not believe it would be fair to criticise him for not initiating his own inquiries.

Mr Philip Rimell, chairman of County NatWest Securities, received assurances from Mr Wells about the legal position, though it was "unfortunate" that CNWS did not take its own advice.

Mr Charles Villiers, County NatWest chairman, was misled by Mr Wells about the share stakes and the legal advice received. But he was entitled to rely on what Mr Wells had told him, and it would be unfair to criticise him for not initiating further inquiries from Washington DC, where he was at the time.

Mr Jonathan Cohen, chief executive of County NatWest. He also relied on Mr Wells to tell him the truth. "Regrettably this assumption was misplaced." But in the circumstances the inspectors say it would be unfair to criticise him for not initiating further inquiries himself.

County NatWest Limited/County NatWest Securities Limited. ISBN 0 11 514681 4. HMSO. Price: £23.50



Tony Berry · David Reed · Charles Villiers · Charles Green · Terry Green · Sir Philip Wilkinson · John Plastow · Tom Frost · Robert Studer · Rodney Galpin · Mr Leigh-Pemberton · Lord Boardman

Inspectors unscramble a story of concealment

CHRONOLOGY

1987

- July: first meetings between Blue Arrow and County NatWest over possibility of Blue arrow bidding for Manpower.
- July 14: Blue Arrow begins buying Manpower shares, but avoids making Class 2 disclosure to the London Stock Exchange.
- July 24: Wells and Reed inform NatWest senior executives of bid plan.
- August 4: bid for Manpower announced, and rights issue of £837m.
- September 7: Blue Arrow wins bid
- September 28: rights issue closes, only 38 per cent subscribed. Additional shares taken up by County NatWest, Phillips & Drew and Dillon Read, raising acceptances to 48 per cent.
- September 29: County briefs Natwest
- September 30: County briefs Bank of England
- September-October County distributes its holdings to avoid having to disclose total stake.
- October 19: Stock market crash
- December 8: NatWest board informed of arrangements and assured they are legal
- December 17: NatWest discloses total holding in Blue arrow. UBS holding still undisclosed.

1988

- February 23: County chairman and chief executive resign as County reports losses of £116m.
- Feb 26: NatWest launches internal inquiry
- Dec 19: DTI inquiry announced

Reports by David Lascelles and Richard Waters

THE STORY told in the report begins in the summer of 1987 with the interest of Mr Tony Berry, Blue Arrow's chairman, in acquiring Manpower, the largest US employment company, worth £600m. In discussions with Mr Nick Wells, the corporate finance executive of County Natwest, and Dillon Read, its US advisers, they decided to embark on a purchase of Manpower shares.

However, under London Stock Exchange's "Class 2" rules, Blue Arrow would have to disclose these purchases if they were worth more than the equivalent of five per cent of its capital. This disclosure would disrupt Blue Arrow's secret bid ambitions. After unsuccessfully seeking a waiver from the exchange, Phillips & Drew, Blue Arrow's brokers, with the connivance of County, tried to avoid a Class 2 disclosure, but in the end were forced to publish the facts.

The inspectors said:"We regard Mr Wells' attitude towards compliance with the Class II requirements of The Stock Exchange as irresponsible. Mr Stainforth (of P&D) took no steps to discourage Mr Wells. We do not regard Mr Stainforth's behaviour as satisfactory. The willingness of Messrs Fraser and Alcock (of P&D) to be parties to a misleading of The Stock Exchange enabled Mr Wells to succeed in his objective which was to avoid any premature announcement likely to prejudice the offer being made. We regard the conduct of Messrs Wells, Fraser and Alcock as falling well below that to be expected from responsible executives of CNW and Phillips & Drew."

The public bid for Manpower was then launched, for which Blue Arrow proposed a £837m rights issue, to be arranged by County, with NatWest, its clearing bank parent, providing a £837m bridging loan. Aside from its own reputation, County's interest in having the issue go ahead was the fee structure, which was heavily tilted towards success.

But despite the confident assertions of Mr Wells and the strong recommendation of County's own equity researchers, there were indications of weak investor interest. So County made soundings within the group and with P&D to find additional takers, including arrangements with County NatWest Securities, the group's market making arm, under which it would take shares with an indemnity against loss. Mr Wells sought to ascertain the legal position on disclosure in this case, and was advised that "it would be inappropriate for any form of indemnity to be given to CNWS market makers."

At the close on September 28, the take-up was only 38 per cent, leading to a gloomy meeting that evening at County. Here, it was decided to "add in" a total of just over 10 per cent of the new shares belonging to County, Dillon Read and P&D. This was thought to be preferable to "save" the issue rather than pass on the unsold shares to the sub-underwriters as would have been the normal practice. Lloyds Bank, the registrars, accepted these add-ins even though they came late, which was, the inspectors say "a departure from usual practice." But this enabled the underwriters to announce the next morning that close on half the shares had been sold.

The inspectors said: "We regard Messrs Reed, Wells, Gibbs and Stainforth as responsible for the decision to 'add in' 54,625,000 shares. Each of them knew that this was to enable public statements to be made to prospective placees and to the market on 29 September 1987 that the rights take-up level was of the order of 50 per cent. We regard the conduct of Messrs Reed, Wells, Gibbs and Stainforth as falling well below that to be expected from responsible executives of CNW and Phillips & Drew".

The following day, the underwriters set about trying to place the unsold 51 per cent of the shares, but only found buyers to bring the total sold portion up to 71 per cent. Nonetheless, County NatWest issued a press release that day which said that acceptances had been received for 48.9 per cent of the shares and that "all of the remaining new ordinary shares ... have been sold in the market at an average net price...of approximately 166.25p per share." (They had been issued at 166p).

The inspectors say the release was misleading in two material respects – in stating the level of acceptances and in claiming that the remainder had been "sold in the market" when in fact a substantial number remained with County and P&D. The inspectors reject all the justifications offered for the release and conclude:

"We can find no justification for the way in which the market was misled. This public announcement was the inevitable culmination of the decisions made on the evening of 28 September 1987 to attempt to save the rights issue. Those involved in making those decisions must have appreciated that the market was going to be misled. The primary responsibility for the press release is that of CNW. Phillips & Drew did not approve the wording of the press release before it was issued. In our view, however, this does not absolve Phillips & Drew from responsibility for the misleading information which was given to the market."

By late morning on September 29, County still had 13.4 per cent of Blue Arrow, so it split the holding into three tranches, each of less than five per cent to avoid disclosure. One amounting to 4.9 per cent was left with the corporate advisory department, a second of 4.43 per cent was "acquired" by County NatWest securities, and a third tanche of 3.9 per cent was expected to be held by P&D under a profit and loss sharing arrangement.

The CNWS tranche was in three parts: a small trading position, a small "back book holding", and a large "back back book" which would be funded by County itself and for which CNWS would not be responsible.

The CNWS people were unhappy about these arrangements, particularly the legal position, but were assured by Mr Wells that the holding was not disclosable. This was based on the "market makers exemption" under which companies do not have to disclose large stakes acquired in the course of a market making business. But the inspectors reject all the arguments put forward by County in support of this exemption. "We agree that the purported use of the market markers' exemption was both unacceptable and inappropriate," they say.

On September 29, Mr Wells also asked Mr Christopher Stainforth of P&D to take on a 4.5 per cent block of Blue Arrow shares for three months in return for a no-loss indemnity, no downside risk and a 30 per cent share in any profit. The proposal was passed up to Mr Robert Studer, the president of UBS, P&D's Swiss bank parent. Mr Studer agreed on certain terms.

"Mr Studer's terms included what he viewed as an attractive rate of interest, the absence of any market risk (ie a risk on the share price) and confirmation that from a legal and regulatory point of view the transaction was alright. As the transaction struck Mr Studer as being 'a little strange' he stressed that it had to be in order form a legal point of view. The only point of detail that Mr Studer was concerned with related to the setting of the 'interest spread' (ie the rate at which funding costs had to be reimbursed). Mr Studer told us that the transaction was 'purely interest differential business, almost like making a loan to County NatWest.'"

Allen & Overy, P&D's solicitors, reviewed the arrangements and found the legal point "finely balanced and in our view the weight of argument is just, but by no means conclusively, in your favour." Mr Studer later told the inspectors, this opinion was "at the edge of what (UBS) would accept as a philosophy of doing business."

County's solicitors, Travers Smith Braithwaite, were more definite. They said the arrangement would not result in UBS having to make a Companies Act disclosure.

The letters between County and UBS arranging the indemnity were also, according to the inspectors, replete with inaccuracies, including back-dating of events. They say: "In its written submission the NWB Group stated that it does not condone back dating of documents; where documents confirm previous agreements they should be correctly dated. We agree. In its written submission the NWB Group also stated that it considered that the placing of shares with UBS with the benefit of an indemnity was unacceptable. We agree."

On September 29, there were more meetings at Natwest involving group deputy chairmen, executive directors, and senior people from County (the most senior figures in NatWest were in Washington attending the annual meeting of the International Monetary Fund). County briefed NatWest on the Blue Arrow problem, and in particular Mr Reed and Mr Wells assured the executive directors as to the legal position of the arranegements.

It is clear from the inspectors' report that the deputies do not have a clear recollection of the meeting, and that none of them actually asked to see the legal advice. Nor did they inquire about alternative courses of action. Mr Wells also said that the Bank of England "was in the picture" when, in fact, the Bank was not informed of events until the following day.

However, no formal sanction was sought from the three executive directors for the actions County had taken because this had already been given by one of them, Mr John Plastow.

Later, the two Mr Greens briefed the three deputy chairmen on the situation. One of them, Lord Harrowby, told the inspectors: "What I can clearly remember is, having had the circumstances explained, asking two questions (and my colleagues joined in) which to me were key questions. The first was, was it legal? We were assured that it was legal and that advice had been taken to that effect.

"My second question was: Has the Bank of England been consulted and do they approve of what is either proposed or been done? Again, I cannot remember which. The answer to that was also yes. The reason for asking the question was two-fold. For one thing I have been in banking for a very long time. I was brought up on the era when what the Bank of England said went and if it was approved by the Bank of England it would be all right. There was obvious need to create an orderly market. Against that you were, in effect, rigging the market. You were deceiving the market. That is something which may sound a dirty word but, nevertheless, in the interests of an orderly market has been done a hundred times."

However, the inspectors say it would not be fair to criticise the deputy chairmen because they were misled.

The next day Mr Wells and Mr Clark went to the Bank of England to explain the position. The Bank's main worry was a prudential one: NatWest's group exposure to Blue Arrow, and the legal position. Mr Wells said County had taken "double" and "treble" legal advice.

The inspectors comment: "This was quite untrue as Mr Wells knew. There was no justification for this statement and it left the Bank of England with a highly misleading impression."

They go on: "In its written submission the NWB Group stated that it accepted full responsibility for the way in which the Blue Arrow transaction was dealt with and did not seek to share that responsibility in any way with the Bank of England. We agree with this approach. It is understandable that importance was attached to keeping the Bank of England informed. However, the provision of information (even if it had been accurate) would not have legitimised what had been done. Nor could anyone in CNW or the NWB Group have reasonably believed that it would have done."

In a further effort to boost Blue Arrow share demand on October 1, Mr Wells and a number of other members of staff of his division bought between 500 and 1,000 shares each in Blue Arrow on October 1. This was permitted under house rules on dealings by individuals, and was approved by a County NatWest director.

However, some of those making the purchases knew at the time that Blue Arrow was about to appoint a new chief executive – a price sensitive fact which had not yet been released to the market. Ms Brimelow, who did not object initially to the purchases, subsequently changed her mind and ordered the purchases to be unwound.

The inspectors conclude: "Mr Cohen (the chief executive) told us that in his view individuals ... should not have dealt in the shares of client companies. We agree with Mr Cohen."

Shortly after this, at the end of the first week in October, County significantly increased its hedging operation to cover its exposure by buying put options contracts against the FT-SE 100 Index. At one stage, the bank is thought to have held between 80 and 90 per cent of all such contracts available in the market.

The inspectors question whether the purchase of these contracts amounted to dealing on inside information. After all, Blue Arrow was itself a part of the index; had the market known about the overhang of Blue Arrow shares, it would have hit the share price, depressing the index in the process.

Mr Jonathan Cohen and Mr Charles Villiers (County's chairman) are both exonerated by the inspectors for their actions around this time. Mr Cohen did not ask Mr Wells about the circumstances under which the securities arm had accepted to take its Blue Arrow stake, and Mr Villiers was misled by Mr Wells about the way the deal had proceeded, the inspectors conclude.

Lord Boardman, who was relying on information given to him by Mr Charles Green, also escapes blame from the inspectors at this point.

The next significant development was P&D's advertisement, placed in the Financial Times on October 2, which claimed: "P&D... have successfully placed at a premium the 258m shares not taken up by existing shareholders."

The inspectors say of this: "We believe it to have been seriously misleading," since County and P&D had themselves retained more than 77m shares. They criticise Mr Gibbs and Mr Stainforth for this.

If County and P&D thought they had managed to dig themselves out of a hole on the Blue Arrow placing, they were in for a nasty shock. The stock market crash which began on October 19, 1987 wiped more than half off the Blue Arrow share price, which collapsed from 167p to 80p after two weeks.

Every 1p movement in the share price reduced the value of County NatWest's holdings by almost £1m. At 80p a share, it was sitting on a loss of over £80m. At a meeting with Mr Terry Green at the end of October, Mr Villiers expressed his concern at the impact which news of the losses (which he put at the time at only £46m) would have on the outside world. Mr Green's view: "to retain the stake, and to keep in close contact with the bank's legal advisers and the Bank of England."

The disclosure problem arose again early in November, when it emerged that HandelsBank, an 87-per-cent-owned subsidiary of NatWest, itself held more than 1m Blue Arrow shares, effectively pushing its total holdings (excluding the market makers' stake) above 5 per cent. The answer was a transfer of a further 1m shares into the securities arm, where it would be "lost" along with the other shares.

NatWest later told the inspectors that they accepted that this was not "an appropriate use of the market maker's exemption." The inspectors add: "We would go further. The matters... amount to a deliberate evasion of obligations of disclosure." They criticise Mr Reed for this action.

By the end of November, the NatWest board had concluded that, "due to the depressed state of the market in general and the (Blue Arrow) share price in particular," its stance on not disclosing the stakes owned by it and P&D was "increasingly inappropriate." However, even at this stage the bank was considering ways of minimising the damage from an announcement.

Main board director Mr Terry Green met Mr Reed and Mr Wells and noted afterwards: "We need to continue our conversation with the chairman and his deputies to agree that the UBS holding can be placed, leaving us to consider a declaration of around an 8.5 per cent interest... On the other hand, disclosing a 13.5 per cent interest would be untenable regarding their (ie Reed's and Wells') own position and the reputation of the bank and its corporate finance division."

However, by December 8 the corporate financiers had lost their battle. Their chief executive, Mr Cohen, was left in the unenviable position of reporting on the entire sequence of events to the main NatWest board, at the same time requesting a capital injection of £80m

A minute from that meeting reports: "Considerable concern was expressed that this particular transaction should have been undertaken. Although some justification of the original decision was given, it was acknowledged that the sanctioning process had not been sufficiently sound, and this was being remedied. It was accepted that when the position was announced it was preferable that the full loss be disclosed, rather than emerge as a series of unfortunate events."

Chairman Lord Boardman was later to tell the inspectors that there was considerable concern about the indemnity. "Directors...found it difficult to understand how one could have a profit and loss sharing agreement without having an interest in the shares."

He also said that the board "wanted the thing to be cleared up... in one go." With this end in mind, NatWest approached UBS and negotiated a settlement under which the bank could be released from its liability for UBS' holding of 23m shares. The clearing bank was in a weak position: although Blue Arrow shares were fluctuating at between 83p and 90p, UBS would only take them on at 63p each. NatWest agreed, and paid UBS more than £30m.

NatWest duly made its full public confession on December 20, 1987. The inspectors say NatWest's systems for meeting their disclosure obligations with respect to shareholdings were not adequate. One consequence of the group's inefficiency was that "the first time any single individual in NWB knew that NWB had a notifiable interest in 5 per cent or more of the issued share capital of Blue Arrow was when Sir Philip Wilkinson learnt of the HandelsBank holding (on November 13). We regard this as unsatisfactory."

Matters came to a head in February 1988, when Mr Villiers and Mr Cohen resigned. Mr T Green, the deputy chief executive of the parent bank, was appointed chief executive of the investment bank, and a day later Sir Philip Wilkinson was appointed chairman of CNW, having been made chairman of NWIB a few weeks earlier.

Immediately after their appointments, Mr T Green asked Sir Philip to conduct an investigation of the way the Blue Arrow rights issue had been handled.

An interim report was completed by the end of March. The conclusions were highly critical. By May the final report had been handed to the Bank of England, which decided within a few days the problems which should be reported to the DTI.

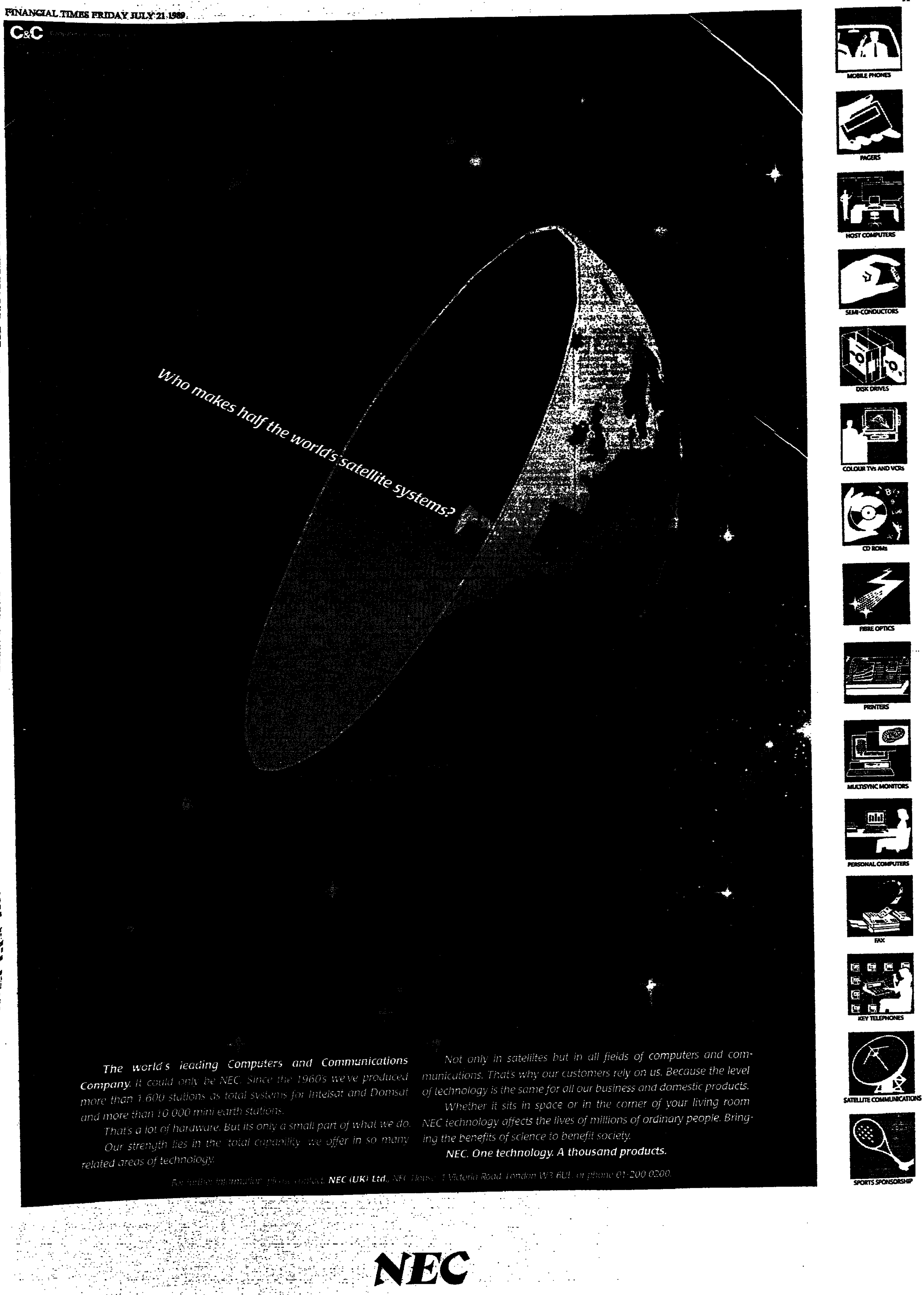
The report ends with a brief but powerful set of conclusions.

"We have investigated the role of CNW and CNWS in the offer by Blue Arrow for Manpower and their subsequent interests in the shares of Blue Arrow. The events referred to in this report give rise to concern. The market was misled. Provisions of the Companies Act 1985 were not complied with. There was no justification for what happened."

"The relevant law is in an unsatisfactory state. In this report we have recommended to the Secretary of State for Trade and Industry that appropriate changes be made."

"In its written submission, the NWB Group informed us that all possible steps were being taken to ensure that all investment banking activities within the NWB Group would be carried out to high standards of integrity and propriety. The matters referred to in this report disclose a highly unsatisfactory state of affairs. It is therefore important that all nevessary steps are taken by the NWB Group to fulfil its objective."

هكذا من الاصل



Ferguson to end TV production at Enfield factory

By Hugo Dixon

FERGUSON, the UK television set manufacturer acquired two years ago by Thomson of France, is to shut down its factory at Enfield, Middlesex by the end of this year with the loss of 750 jobs.

The move has been prompted by tough competition in the colour TV market, where an influx of Japanese and Far Eastern manufacturers has added to capacity and driven down prices at a time when spending on consumer electronics has stagnated as a result of rises in interest rates.

Ferguson, losing about £1m a month at the time it was bought by Thomson, has been stuck in the red ever since.

The last straw was the failure of the UK's satellite TV market to take off as it had predicted, partly as a result of the highly publicised squabbles between Sky TV and BSB — in which Pearson, owner of the Financial Times, has a stake.

Ferguson is one of BSB's four chosen suppliers and is also making receiving equipment for people wanting to watch Sky TV.

It had hoped that growth in the satellite business would provide its Enfield factory with enough work to keep it viable.

The company described as "pretty horrendous" competitive conditions in the TV market. "If it keeps going like it has been in the last few months, God help us."

Ferguson suffered a blow two years ago when JVC, the Japanese electronics manufacturer, decided to set up its own plant in Britain instead of taking 300,000 sets a year from the British company. Ferguson was at the time producing a million sets a year, although its production run has now fallen to 700,000.

"The company has tried to do everything not to make this decision," Ferguson said. "We have tried a number of things to make it a viable manufacturing location."

Ferguson will concentrate all TV manufacturing at its other site at Gosport, Hampshire, where employment will eventually increase by 400. Enfield will be retained as Ferguson's administrative centre only.

Shorts rescue deal cleared by Brussels

By William Dawkins in Brussels

THE FINAL OBSTACLE to the sale of Short Brothers, the state-owned Belfast aircraft maker, was cleared yesterday when the European Commission approved a £731m government rescue package for the group.

Bombardier, the Canadian aerospace group, agreed to buy Shorts for £30m earlier this year on condition that the Government received European Commission consent to write off its debts and inject cash to cover losses on existing contracts.

Of the total, £390m is a debt write-off, with the remainder for balance-sheet restructuring and meeting future losses.

Normally the Commission takes a hard line against state subsidies likely to give companies unfair advantages over European competitors. However, it can be flexible when EC strategic interests are at stake, and the aircraft industry is a prime example.

Within the £731m package £289m supports the Shorts' military business. Only last March the EC allowed the West German Government to pay DM3.9bn (£1.2bn) to help Daimler-Benz buy the Messerschmitt-Bölkow-Blohm aerospace company.

In return for being rescued Shorts must submit to a comprehensive five-year restructuring. Details are secret but the aim is for Shorts to pull out of several loss-making sectors and specialise in nacelle design and composite production. Britain must report to Brussels on progress made.

The Commission was also be guided by Shorts' importance in Northern Ireland, where it directly and indirectly provides over 10 per cent of manufacturing jobs.

Tony Andrews

The Prince of Wales meets Mr David Shalev and Ms Eldred Evans, winners of the Financial Times Architecture at Work Award. The two received the award, presented at a ceremony in London yesterday, for the Courts of Justice in Truro, Cornwall

Hurd warns on immigration laws

ANY relaxation of Britain's immigration laws could lead to tension in the inner cities, Mr Douglas Hurd, Home Secretary, said yesterday.

Mr Hurd, speaking at a luncheon meeting of the Diplomatic and Commonwealth Writers' Association, said a change in the immigration regulations would not even be justified by labour shortages.

The Home Secretary was replying to a question on the recent Corry Report which suggested that immigration from Hong Kong could benefit the UK, because demographic trends were causing a decline in people of working age.

"If there are gaps in the labour market, the work permit system should be able to take account of it."

Anger at collapse of scheme for generator

By Maurice Samuelson

PLANS to resurrect a disused power station in Leicester as a private generator of heat and power have collapsed amidst recriminations between its developers and the East Midlands Electricity Board, which was to have purchased its electricity on a long-term contract.

The scheme, under discussion for nearly five years, had long been regarded as likely to become Britain's first big Combined Heat and Power Project and had attracted a £250,000 grant from the Department of Energy.

The announcement of its collapse immediately triggered complaints by would-be private generators that there would be little, if any, scope for any genuinely independent new power stations in the first years after the electricity industry's privatisation.

Lord Ezra, chairman of Associated Heat Services, one of the lead companies in the Leicester scheme, blamed the collapse on the protracted deadlock in the main contract negotiations between the area boards and the successors of the Central Electricity Generating Board.

"I doubt if there will be any contracts for private generators for years," he said.

Suspension of the £80m scheme was announced by Leicester Energy Limited (LEL), a consortium of six large private companies, local authorities, the East Midlands Board and the CEGB.

LEL said it had reached an advanced stage of negotiations to construct a 110 MegaWatt combined cycle gas turbine and an associated heat distribution grid. It had negotiated a long-term gas supply agreement and was on target for completion in 1991. But it had not been possible to meet the requirements of the electricity board for the purchase of the electricity generated.

Mr David Scragg, LEL chairman, said the problem was not the electricity price, on which agreement had been reached, but on East Midlands demand for a £30m guarantee to cover future uncertainties in the price of gas.

Mr Jim Keohane, East Midlands energy contracts manager, agreed that the negotiations had broken down over the question of who should shoulder the risk of future fuel price changes. "We can only enter a contract that is commercially sensible and gives our customers cheap power." He said negotiations might be re-opened "in a few weeks."

PowerGen, the CEGB successor company which will own the Leicester site after privatisation, has taken LEL's side in the argument.

The Association of Independent Electricity Producers said it was "dismayed that such a promising project has been brushed aside."

It accused the generators and area boards of preparing to carve up the generating business and delaying tactics to keep out future competitors. Although privatisation was imminent, most of its members were unable to negotiate contracts with the area boards. "With their investment plans gathering dust, they are now losing patience", it said.

'Complacency' at Japan threat

By Peter Montagnon
World Trade Editor

EUROPEAN financial institutions have been complacent about the need to penetrate Japanese financial markets and risk losing worldwide influence as a result, according to a House of Lords report published today.

The report, on EC-Japan relations by the Lords Select Committee on the European Communities, says Japanese banks have established a firm presence in EC markets where their overseas lending activities are regarded as welcome.

It warns, however, that the sheer size of their capital would allow them to penetrate European domestic markets.

Smile on the face of the judicial 'outsider'

Robert Rice on how Lord Mackay kept his head in the battle over legal reform

FOR A MAN who for six months has found himself at the epicentre of a political and professional storm, accused by his judicial brethren of being the architect of one of the most sinister documents ever to emanate from government, Lord Mackay of Clashfern maintains a remarkable air of calm.

The very public rift with senior judiciary over his planned reforms cannot have been easy for the Lord Chancellor, however, both on a professional and personal level. It says something for his powers of diplomacy and his growing political acumen that his revised white paper proposals appear to have come close to striking the right balance, drawing the teeth of his most severe critics, while leaving the central thrust of his reforms intact. Lord Mackay is, as one political observer commented, "very cute."

The Lord Chancellor is not a man prone to rash statements. His thoughts on his disagreement with the judges are given in measured words.

"My job as Lord Chancellor was to formulate the proposals on behalf of Government and then to explain them, and that I have sought to do. It is perfectly understandable that the judges, looking at them as judges, will have different views from those of the Government.

"Obviously it has opened up an area of discussion between the Government and the judges, but I don't think there is anything wrong with that. It is a proper way for things to be conducted and perfectly reasonable that they should put their views publicly so that the public may understand and appreciate the issues."

It is a typically noncommittal answer, but delivered with the hint of a smile. If he has been hurt by the comments of his fellow judges he will not say so.

The last six months have also put the Lord Chancellor's private life under the public spotlight following his excommunication from the Scottish Free Presbyterian Church. For a man of moral and religious seriousness it has been a harrowing period.

At the end of November last year he was suspended from his position as an elder of the church for having attended requiem mass for two former judicial colleagues. His suspension was upheld in May by the church synod.

"I considered the matter pretty carefully before the decision was taken to suspend me in November and concluded that what I had done was right and therefore that I intended to stick by it," he says.

For someone who has lived so much recently in the public eye, little is known about him. What, for example, are his political beliefs? After two periods in government, first as Lord Advocate and now as Lord Chancellor, there can be no doubt about his allegiance to the Conservative Party. But in the period between holding these two offices he sat on the cross benches in the Lords.

Was he always a Conservative? "Yes," he replies hesitating, "I would say so." But was he really the architect of the reforms of the legal profession or merely the draughtsman? Is he the Government's reluctant outsider?

To the English legal profession, which to a certain extent is still a bastion of the class system, Lord Mackay will always remain an outsider. Although not the first Scot to sit on the Woolsack, he is the first member of the Scottish Bar to have done so. He is not versed in the traditions of the English profession nor wedded to its methods.

In one respect his position as an outsider has been of considerable advantage. There is no doubt that his admiration for the Scottish system of training as an advocate has allowed him to stand back from the English system when considering reform.

James Mackay was born in 1927 at Scourie, Sutherland, the only son of a railway signalman. He was brought up in Edinburgh and spent much of his childhood on his uncle's farm in Caithness. He went to school in Edinburgh and read mathematics and natural philosophy at Edinburgh University before being awarded a scholarship to Trinity College, Cambridge.

In 1952 he returned to Edinburgh and joined a firm of solicitors studying part time at the university for a law degree and was called to the Scottish Bar in 1955. His rise through the profession was rapid. He took silk within 10 years and in 1973 the Scottish Bar voted him vice-dean of the Faculty of Advocates. He became dean in 1976.

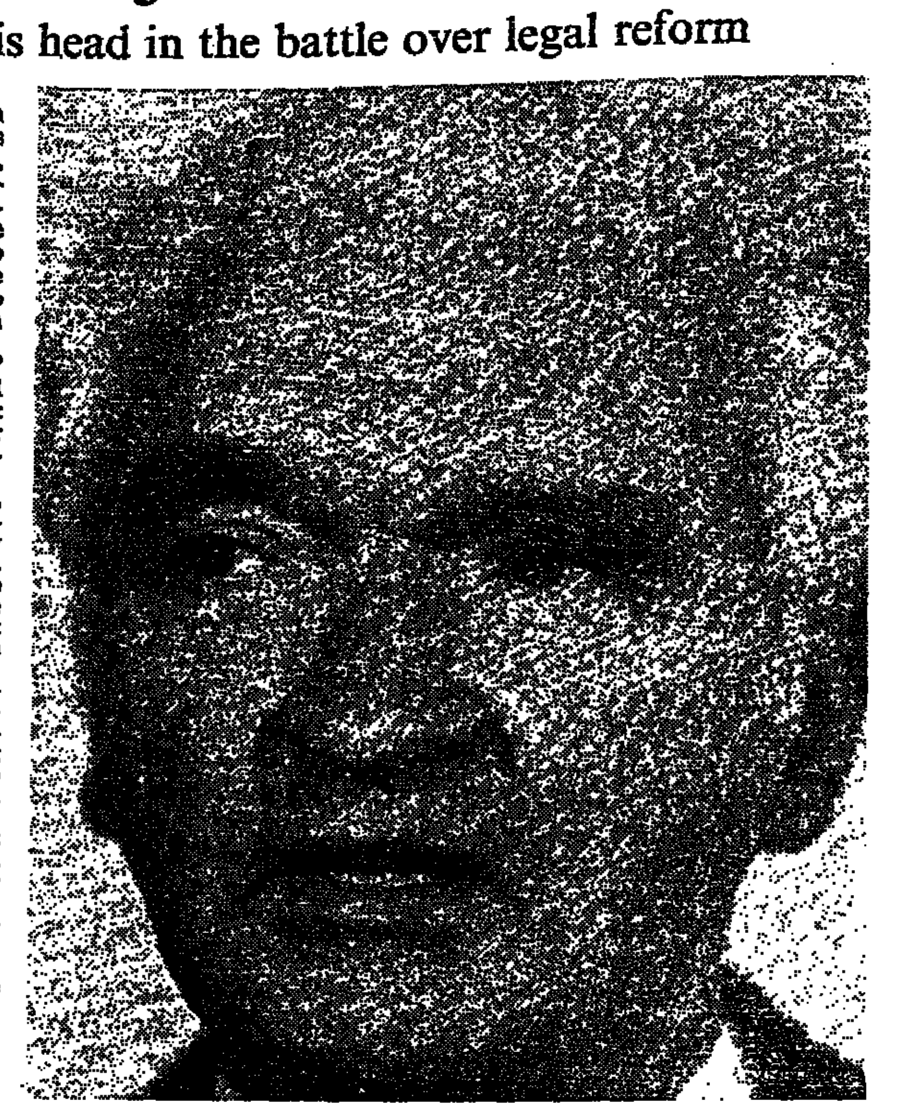
Since becoming Lord Chancellor Lord Mackay has instigated one of the most ambitious programmes of legal reform ever undertaken. As well as the planned reform of the legal profession he inherited from Lord Hailsham the Government's programme for wholesale reform of the civil justice system and the reform of the legal aid system.

During the remaining period of this parliament the Government intends to carry out a review of the defamation laws and continue steps to introduce a single family court for dealing with all matters relating to the family.

Should the Conservatives be defeated at the next election much of this programme will remain unfinished. While not acknowledging the possibility of defeat, Lord Mackay has begun to order his priorities. He is keen to implement the Civil Justice Review proposals which have the advantage that many of them can be put in place without the need for primary legislation. Conscious that legislative time in the run up to an election is at a premium, his priority will be to try to get the reform of the legal profession implemented.

Once the structure of the profession is decided, he says, the question of funding legal services can be tackled and the Legal Aid Act provides a structure under which that can be done. Reform of the defamation laws may have to wait.

If he should have to leave office in 1991 or 1992 he would hope to return to sitting as a Law Lord. If the Government were defeated, he is still young enough at 61 to return as Lord Chancellor in a future Conservative administration. If he does not he will not easily be forgotten, by the English legal profession at least.



Lord Mackay: powers of diplomacy and a growing political acumen

BT increases charges by average of 3.2%

By Hugo Dixon

BRITISH TELECOM is putting up its prices by an average of 3.2 per cent on September 1. However, the average residential customer will see bills rise by 5.5 per cent because the detailed price changes favour large business customers.

The price increases, which will be the first changes to BT's main domestic services for three years, have been approved by the Office of Telecommunications, the industry watchdog.

They were met with resignation by the Telecommunications Users' Association, which said they were in line with its predictions.

Under a complicated formula agreed with Oftel BT would have been allowed to put its prices up by an average of 3.8 per cent to compensate for the rise in the inflation rate. The actual increase means that prices will fall by 5 per cent in real terms.

Not all prices are going up by a uniform amount.

At one extreme the price of using call boxes to make cheap-rate local calls will double. BT has been losing about £50m a year on its call box service.

Connection charges and exchange line rentals, on which BT loses about £300m a year, are going up by 10 per cent. As a result residential customers will pay £17.65 a quarter for renting their lines and £133 for being connected to the network.

To ensure that these increases do not drive people away from having a phone in the first place, BT also announced that it was improving the terms of its new low-user scheme. People who do not use the phone much will pay only 60 per cent of the normal rental.

By contrast, most call charges will remain unchanged and BT has refrained for the moment from charging for directory inquiries. The exceptions are local calls, which will go up by about 6 per cent, and 87 highly-used long distance routes, where prices will fall by 20 per cent.

PRICE INCREASES

	% change
Connection charges	
Business	+10.2
Residential	+10.1
Exchange line rental	
Business	+10.1
Residential	+10.0
Standard rate call charges	
Local	+5.9
National	0.0
Standard rate payphone charges	
Local	+41.2
National	0.0
Weighted increase	+3.2
Rise for average home customer	+5.5

Sell-off set for Crown Suppliers

By Hazel Duffy

THE GOVERNMENT'S Crown Suppliers will be privatised in the first half of next year after being put to competitive tender this autumn.

The details, given yesterday in the Commons by Mr Christopher Chope, junior minister at the Environment Department, came 18 months after privatisation of the Crown Suppliers was announced.

Mr Chope said the delay between the initial announcement and yesterday's statement was due to the failure to secure a slot in the parliamentary timetable last autumn. The bill to arrange the sale will be introduced this autumn.

The Crown Suppliers is the principal supplier of office furniture, furnishings, equipment and transport to government departments. It also supplies the armed forces, some local authorities, and other public sector bodies.

The Government will consider offers which would mean the break up the Crown Suppliers, probably into three parts. The biggest section of the business is in contract furniture. The other sectors are in vehicle hire and courier services in government.

Two management buy-out teams have been formed. Samuel Montagu, the merchant bank advising the Government, confirmed yesterday that a proposal from one team to buy the vehicle hire business had been tabled.

Overseas buyers will not be barred from taking over any of the businesses. The most security sensitive parts of the Crown Suppliers services, including the car service for ministers, have already been transferred to the Property Services Agency. Procurement of heating oil for government buildings is also not for sale. It was thought that departments could get a better deal if this stayed in the public sector.

Bank lending continues to show strong growth

By Peter Norman, Economics Correspondent

BANK and building society lending continued to grow strongly last month. However, the growth rate for M0, the narrow measure of money supply targeted by the Treasury, decelerated, reinforcing the view that the economy was slowing down.

The Bank of England reported a £7bn seasonally-adjusted increase in bank and building society lending in June compared with market expectations of a £6.5bn increase and May's £6.7bn rise.

However, separate information from the Committee of London and Scottish Bankers showed a sharp slowdown in the growth of personal lending by clearing banks last month compared with June last year, with a particularly notable deceleration in mortgage borrowing from the banks.

The Bank announced that M0, which consists almost entirely of notes and coins in circulation, increased by a seasonally adjusted 0.7 per cent in June after May's 1.2 per cent gain, reducing the annual seasonally-adjusted rate of growth to 5.9 per cent last month from 6.2 per cent in May.

The June figure was still outside the Government's 1 to 5 per cent annual target range for M0 growth but the Treasury said it expected to meet the target soon.

Markets at first reacted negatively to the figures. But sterling and gilts later moved ahead as City analysts interpreted the figures to mean that growth of consumer borrowing was on a downward path.

Separate statistics from the Bank of England yesterday showed that British bank notes in circulation rose by an annual 5.5 per cent in the week to July 19. Although the weekly bank figures are erratic, Mr Nigel Richardson, an economist with Warburg Securities, said the latest figure was consistent with M0 decelerating to an annual rate of growth of around 5.25 per cent so far in July.

However, broader measures of money supply continued to show strong growth.

Mortgage companies hit by housing slowdown

By Ralph Atkins, Economics Staff

SPECIALIST mortgage finance companies have lost a substantial market share to banks and building societies in the depressed housing market, according to Bank of England figures released yesterday.

Lending for house purchase by financial institutions other than banks and building societies tumbled to the lowest level for nearly three years at the start of the year. The £452m lent was less than a third of the £1.4bn lent in the last three months of 1988.

The figures highlight the slowdown in the UK housing market. Although the figures include pension funds and unit trusts, most of the lending for house purchase was by specialist mortgage providers.

Since the beginning of 1986 these companies have seen strong growth, with a peak of nearly £2bn lent for house buying in the third quarter of 1988.

The Bank's figures also show the financial institutions returning to investment in overseas equities after a massive disinvestment in the wake of the 1987 stockmarket crash.

Investment in overseas ordinary company shares rose by £4.1bn in the first quarter of 1989 after an increase of £3bn in the fourth quarter of 1988. Together this more than reversed the £5.5bn disposed in the fourth quarter of 1987.

Investment in overseas equities in the first three months of 1989 even exceeded the total of £3.26bn in the whole of 1988.

The financial institutions also invested a record £814m in UK land and property in the first quarter, compared with £480m in the previous three months. Insurance companies accounted for the largest share.

There was also further growth in purchases of UK ordinary shares, rising from £3bn in the fourth quarter of 1988 to £3.25bn in the three months to March.

Purchases of other UK company securities rose by £1.8bn in the first quarter. However, the institutions continued to dispose of British government securities, or gilts, in line with the large-scale repayment of government debt. This suggests widespread substitution of corporate bonds for gilts.

Sales of gilts reached £2.56bn in the first quarter, slightly lower than in the previous three months, in the fourth consecutive quarterly disinvestment.

Go-ahead soon for London Tube extension

By Kevin Brown, Transport Correspondent

AN £800m extension of the London Underground system to the booming Docklands area in east London is expected to receive the go-ahead from the Government next week.

Ministers are still talking to Olympia and York, the Canadian developer of Canary Wharf, the biggest Docklands development. They are investigating the extent of private sector involvement in the project.

However, Mr Michael Portillo, the Minister of State for Transport, is understood to have decided to announce approval in principle before the Commons rises for the summer recess, probably at the end of next week.

Two routes are being considered. The first option would start from the existing Jubilee Line terminal at Charing Cross and run through St Paul's before crossing the River Thames to London Bridge and Surrey Docks.

It would then recross the river to the Isle of Dogs and turn north to Canning Town, terminating at Stratford.

The second option would leave the existing Jubilee Line at Green Park and run through Westminster, crossing the river to Waterloo before running along the South Bank to London Bridge and then following the same route to Stratford.

The second option is believed to have strong support within the London Docklands Development Corporation, which administers the Docklands area.

However, no final decision on the available options has as yet been taken by the Department of Transport. There is considerable support within both the LDDC and the Transport Department for a further variation, which would involve crossing the river for a third time on the eastern side of the Isle of Dogs in order to run through the Greenwich peninsula.

The line would then cross the river for a fourth time east of the Blackwall tunnel, before running through Canning Town to Stratford.

Such a variant of the route would serve a large potential development area on the Greenwich peninsula, where up to 10,000 houses could be built.

However, the choice of route must depend on the amount of funding which can be extracted from Olympia and York and other Docklands developers.

The line is regarded as crucial to the success of Canary Wharf, which is one of the biggest office development projects in Europe.

The Jubilee Line extension is part of a package of transport infrastructure projects in Docklands which includes more than £1bn for new roads, £150m for an extension of the Docklands Light Railway (DLR) to Bank station in the City and £240m for a proposed eastwards extension to Beckton.

Ministers are also considering proposals to extend the DLR southwards across the Thames to serve Greenwich and Lewisham.

This project is also expected to be approved in principle shortly, but may be delayed by financing problems.

Ciba-Geigy chief warns

By Andrew Baxter

UNCERTAINTIES created by UK economic policy may lead to reappraisal of capital spending plans by Ciba-Geigy, the Swiss-based chemicals and pharmaceuticals group, Mr John Fraser, Ciba-Geigy UK managing director and chief executive, warned yesterday.

Announcing "less than exciting" sales figures for the first half of this year, Mr Fraser said the UK subsidiary's high level of capital spending — £224m between 1986 and 1989 — reflected the confidence in the UK shown by the Swiss parent company in the mid-1980s.

Mr Fraser added: "If uncertainties now were to persist, I fear that the parent company would look more favourably at Germany and Italy."

Fluctuations in exchange rates were also hitting the company's export business.

His comments were reflected in a rise of 3 per cent to £322m in the UK company's first-half sales, against a 13 per cent rise in local currency terms for Ciba-Geigy worldwide.

هكذا من الاصل

AWACS Report, 11 July 1989:

UK AWACS programme is exactly where the RAF said it should be. On schedule.

The first of seven AWACS for the Royal Air Force rolled out of its assembly hanger 11 July 1989, on schedule, as agreed to in 1986. Flight tests begin in September.

AWACS stands for Airborne Warning and Control System. Flying high in the sky, its powerful radar sweeps far beyond the friendly horizon. From this lofty vantage point, information goes directly to the nation's defenders. AWACS will form a vital link in Britain's air defence system, well into the 21st century.

The United Kingdom's second AWACS airplane enters final assembly in October.

In June, next year, the first AWACS for completion in Britain will arrive at the RAF, Waddington, in Lincolnshire, where our British industrial partners will begin to install the sophisticated mission electronics equipment.

In 1991 the United Kingdom's AWACS fleet will be ready to play its part in the defence of the Realm.

BOEING

The Ford Drive for Value.

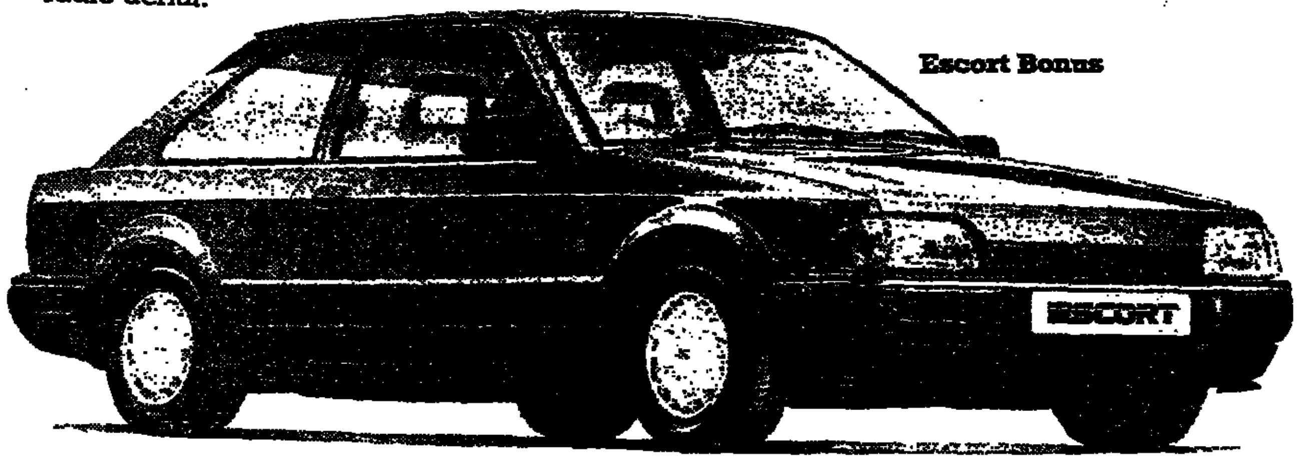
Escort. Well-engineered, comfortable, stylish, reliable: the Ford Escort is chosen by more people for more reasons than any other car.

And now, thanks to Ford's Drive For Value, it's even better value.

Take the 1.1 litre Escort Bonus. With special wheelcovers and a choice of black paint or one of three metallic finishes it looks expensive, however its maximum retail price is only £5775, excluding delivery, and there is a 1.3 litre model for £342 more.

Or the new Escort Popular Plus with a range of features including bodyside mouldings, colour-toned bumpers, full wheelcovers and a heated rear screen with built in radio aerial.

Escort Bonus



And there's the new Escort 1.6 Sport. It's a handsome performer, offering outstanding value with sports seats, body coloured door mirrors, tricoat white wheelcovers and a black XR3i tailgate spoiler.

And every Escort in the range is available through Ford Credit on low rate finance.

Sierra. The car that's always offered so much, now offers more than ever.

2.0 litre models are now powered by the Double Overhead Camshaft (DOHC) engine. This engine, with the exceptions of our racing machines, is the most powerful non-turbo-charged 2.0 litre we have ever made. It's smooth, it's efficient and it can run on unleaded fuel. And it's available for no extra cost.

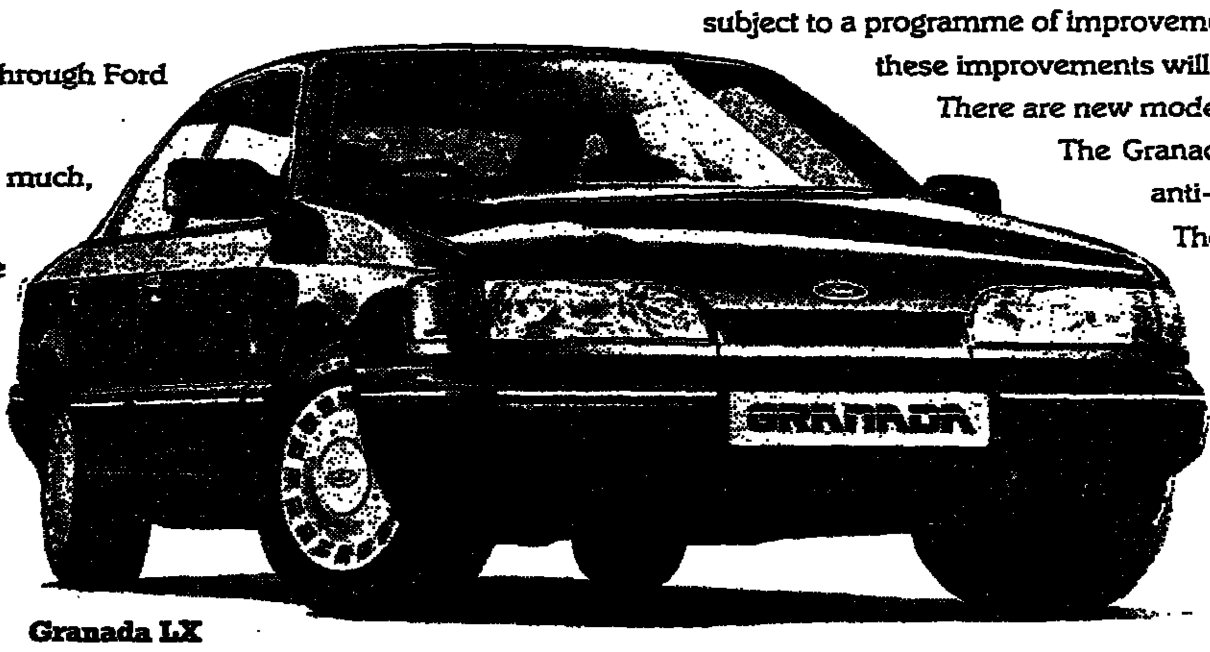
The Sapphire Classic saloon and the Sierra Laser hatchback or estate, offer remarkable value with metallic paint at no extra cost, white wheeltrims, colour-toned bumpers, high security locks and electronic radio. All for £1000 less than the maximum retail price of the next Sierra in the range.

The Sierra Chasseur Estate has central locking, integral roof rack and an electronic self-seek FM radio cassette, it also has remarkable load space: over 6 feet long with back seats folded down gives 51.8 cubic feet of capacity, measured by the VDA method.

Then there's the new Sierra Sapphire 2000E, the flagship of the range, with a comprehensive list of luxury equipment: air conditioning, power steering, leather upholstery, alloy wheels and two-tone paint-work are just a few of the highlights.

And that's not all. The GLS 4x4 comes with electronic self-seek stereo sound system, electric front windows, sunroof, central locking, and, like all Sierras, is available with anti lock brakes.

And what's more, the Ford Credit low rate finance plan is available right across the range of Sierras until August 31st.

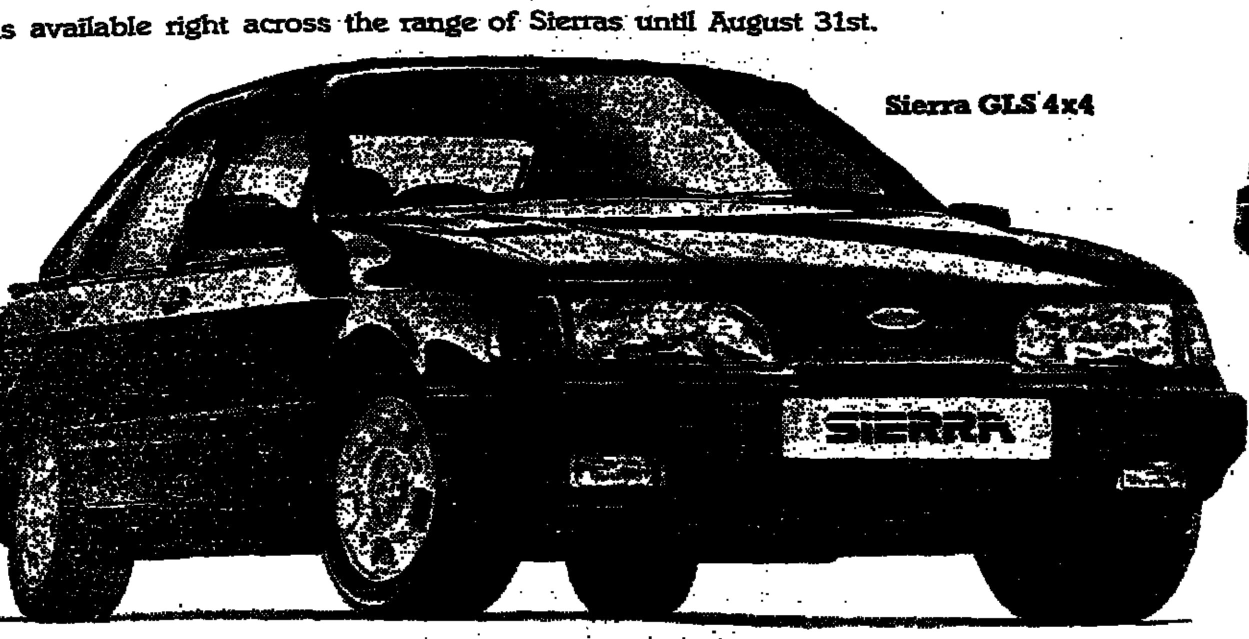


Granada LX

	Escort 1.1 Bonus	Orion 1.3 Classic	Orion GLS	Sierra GLS 4x4
Cash Price† (inc. delivery)	£5970.00	£7530.00	£10170.00	£14695.00
2.9% (5.6% APR)				
Initial Payment (Minimum 50%)	£2985.00	£3765.00	£5085.00	£7347.50
24 Monthly Payments of	£131.59	£165.97	£224.16	£323.90
Charge for Credit	£173.16	£218.28	£294.84	£426.10
Total Credit Price	£6143.16	£7748.28	£10464.84	£15121.10
5.9% (11.4% APR)				
Initial Payment (Minimum 20%)	£1194.00	£1506.00	£2034.00	£2939.00
36 Monthly Payments of	£156.15	£196.95	£266.00	£384.36
Charge for Credit	£845.40	£1066.20	£1440.00	£2080.96
Total Credit Price	£6815.40	£8596.20	£11610.00	£16775.96
6.9% (13.2% APR)				
Initial Payment (Minimum 20%)	£1194.00	£1506.00	£2034.00	£2939.00
48 Monthly Payments of	£126.96	£160.14	£216.28	£312.51
Charge for Credit	£1318.08	£1662.72	£2245.44	£3244.48
Total Credit Price	£7288.08	£9192.72	£12415.44	£17939.48

These Low Rate Finance Plans are subject to credit approval and apply to Escorts, Orions and Sierras registered between July 1st and August 31st 1989 and which are subject to Conditional Sale Agreements arranged by participating Ford dealers and underwritten by Ford Motor Credit Company Limited, The Drive, Brentwood, Essex CM13 3AR. Applicants must be over 18 years of age and credit worthy. Please note various factory fitted options and Ford's optional warranties (Extra Cover or Extra Cover Plus) are available at extra cost. †Maximum retail prices as at July 10th 1989 including delivery. Delivery is to Dealer premises with exception of Channel Islands and Isle of Wight when a further charge will be made.

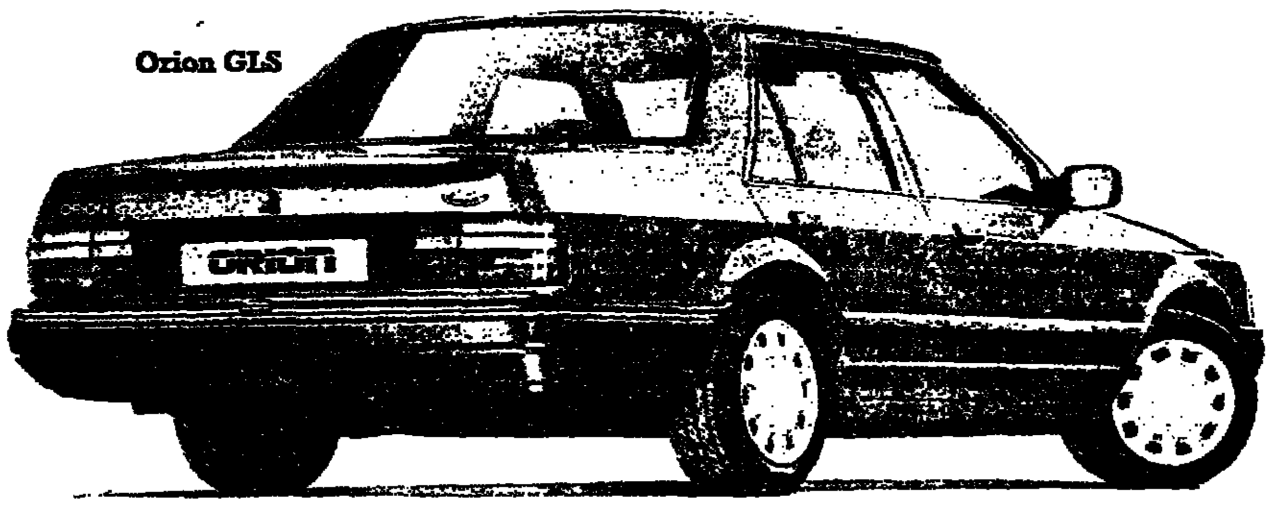
Sierra GLS 4x4



Orion. Under the Orion name you'll find 3 new models.

The 1.3 litre Orion Classic at a maximum retail price of only £7335 (excluding delivery), means more opportunity to move up to Orion motoring for the first time.

Orion GLS



The new GLS model has the interior appointment of a GL, but with a 1.6i engine, which offers all the performance and handling of an Orion Ghia Injection.

The lavishly equipped Orion 1600E gives you fuel injected power and the luxuries of grey leather seats, wood veneer on dashboard and doors, and stylish alloy wheels.

And all Orions are available through Ford Credit on low rate finance.

Granada and Scorpio. The whole range of Granadas and Scorpios have just been subject to a programme of improvements and, thanks to our Drive For Value, none of these improvements will cost any extra.

There are new models too.

The Granada LX with its central locking, tinted glass and anti-theft alarm.

The new Scorpio 2 litre with its premium self-seek sound system with 7-band graphic equalizer. And both are available with new fuel injected Double Overhead Camshaft (DOHC) engine.

Fiesta. "The 'S' feels alert and nimble... With abilities that extend far beyond quick reflexes and good grip its chassis is as good as any in the class, it has a slick gear change and strong brakes; a well thought out driving environment and a roomy, practical cabin."

Autocar and Motor. Feb 89.

"There's no doubting Ford have produced another winner."

Fleet North Magazine.

"The world's first mass produced all 'green' car ... Ford's new Fiestas have both lean burn engines to cut pollution and will also run on leaded or unleaded petrol without any adjustment."

Vaughan Freeman. Today.

"Ride is extremely good ... the Fiesta simply soaks up most bumps without being too soft."

Sunday Express.

"What Car? Car of The Year 1989."

Need we say more?

Fiesta S

G Reg. Check out the table in the centre or your Ford dealer for further details of Ford Credit's low rate finance plans. Because as you can see there are more reasons than ever to buy a Ford. And with the new G Reg just around the corner, more reasons than ever to get down to your local Ford dealer, now. For his location and a catalogue, call free on 0800 01 01 12.

Ford

MANAGEMENT

Disetronic

Coping with a surfeit

The Swiss medical equipment company is examining how to fund growth at a time when it has 'too many projects' to develop. William Dullforce reports

Disetronic is a young Swiss company which has built a niche in the manufacturing of medical equipment for insulin treatment and has experienced a lightning sales and profit take-off in the past three years. Now, however, it is entering the enviable but tantalisingly difficult stage of having to decide how to manage and finance all the growth opportunities opening up to it.

"We simply have too many new projects and must stop looking at further developments," Willy Michel, the managing director, says. Disetronic makes devices which allow patients to treat themselves and it is these which have led to it being courted by pharmaceutical companies seeking ways of increasing their shares of key medical drugs markets.

Started in 1983 with SFr60,000 ($36,000) in share capital and an idea for developing a microprocessor-controlled insulin pump for diabetics Disetronic has just reported a cash flow of SFr1.78m ($1.1m) on SFr8.73m in sales for the year ending March 31 – all generated by a staff of 55 in the small Swiss town of Burgsdorf and 10 distribution personnel in Frankfurt. The company holds 80 per cent of the market for insulin pumps in West Germany and is doubling output. It expects to increase its total sales by 65 per cent to SFr14.4m in the current financial year and to generate a cash flow of more than SFr2m.

However, its dilemma, delectable as it may be, is that only 31 per cent of its income derived from the pumps last year. More than 45 per cent came from a second product, the pen with a needle and precise dosing mechanism for self-injection by diabetic patients which it developed for Hoechst, the German chemicals group, and which is being adapted for other therapies.

Production of the pens is also being doubled this year, at the same time as the small Disetronic staff is facing up to more than 20 projects, involving new products or adaptations specially commissioned by pharmaceutical manufacturers. At least one of the projects is aimed at a market worth well over SFr1bn a year.

Willy Michel expects to have enough finance available, from the strong cash flow and borrowings, to be able to meet his development needs for this year and probably next year as well. But, given the projected sales growth and ambitions to break into the US market, he will need to invest within two or three years in an automated production line for the pens. Preliminary costing suggests that an investment of SFr5.8m would be required.

The alternatives are to go public or to take on a minority partner, who could be either a bank or another company operating in the field of disposable medical instruments. Excluded is the possibility of opening up the share capital to one of the big pharmaceutical companies, because a tie to one would cut off Disetronic's possibilities of co-operating with other drug manufacturers.

Disetronic's strengths are its now proven innovative ability to develop micro-infusion systems and its symbiotic relationship with the pharmaceutical companies, to which it offers equipment that can popularise the use of new medical drugs or improve the companies' market shares in the sale of "old" drugs such as insulin.

To exploit these strengths fully Disetronic needs to remain independent, Michel argues. He and his brother own 90 per cent of the share capital. They want fiercely to retain control of their rapidly expanding enterprise.

Until now they have been remarkably successful in avoiding the common pitfalls that beset high-technology companies starting from scratch. Disetronic was set up in Burgsdorf, 20 kilometres from Berne, the Swiss federal capital, by Willy Michel, whose job was marketing pharmaceuticals, his brother, Peter, a doctor, and two partners, one of whom was Dr Heinz Suesstrunk, a diabetician. The fourth partner was eventually replaced by Ural Jenzer, a computer software specialist.

Insulin pumps, carried by patients, even out fluctuations in the blood sugar level of diabetics by providing more frequent and regular doses of insulin than can be achieved through the traditional injection by syringe. The insulin is passed into the body through a small catheter.

Some pumps were already on the market. The Disetronic team aimed at producing one that was smaller, more comfortable to carry, reliable and easy to operate. The result was a far smaller instrument, weighing less than 100 grammes.

Disetronic holds two patents for the pump. It was marketed in Germany and Austria by Hoechst, which was eager to break into the market for genetically produced human insulin dominated by Lilly of the US and Denmark's Novo company. Hoechst produced its own ampoules for use in the pump which sells at SFr3,000 to SFr6,000 depending on the options chosen.

Disetronic's development costs amounted to SFr1.2m. The Swiss Federal Commission for Scientific Research provided SFr500,000 and private investors put up SFr300,000, making together with the SFr60,000 share capital a total of SFr860,000. The rest was covered by a bank loan.

Last year 1,200 pumps carrying four-year guarantees were sold, mainly in West Germany, where Disetronic is starting to lease them to health insurance companies. The potential market in Western Europe and the US is put at 5,000 to 6,000 pumps a year.

In 1986 Disetronic started to develop a more efficient version of the pen injection systems with mechanically controlled dosing which were already on the market. The infusion pumps, which require some technical understanding, good eyesight and tactile skill to operate, can be used by less than 10 per cent of the 6m diabetic patients in Western Europe and the US – mostly the patients who become diabetic when young.

Disetronic founders: Brothers Willy (left) and Peter Michel

Older patients can more easily use the pen, which looks like a tubby fountain pen with a small disposable needle. Disetronic's claims its version wins on convenience over its competitors. It can be operated with one hand.

So far Disetronic's whole operation has been very tight. It has done little direct marketing. Of the 55 staff in Burgsdorf 15 are engineers working on research and development. Semi-skilled workers assemble the instruments from parts supplied by sub-contractors and test them before shipment. A small highly skilled unit produces the machine tools for making components, which are sold to the sub-contractors.

Research and development has been prolific. The company holds five patents and has 12 pending. The long list of projects at various stages of development include:

■ A new pump generation with a "disposable" instrument discardable after a couple of years that can be used to inject morphine (for cancer patients), fertility drugs and lisurid, the drug developed by Schering of Berlin to treat Parkinson's disease;

■ A disposable gas cell infuser with a gas-producing battery controlling the timing of a plunger which gradually empties a vial in a continuous flow; developed for administering Ciba-Geigy's Desferal drug, used to treat iron metabolism deficiency in thousands of children in Mediterranean countries, the infuser has many other applications, including the continuous infusion of opiates to relieve pain;

■ a biosensor which measures the level of glucose in the blood; this project aims at a market in Europe and the US which was valued at DM1.4bn in 1987 and is growing by 20 per cent a year;

■ AndroPen, an adaptation of the pen for Tosse, a Byk Gulden subsidiary, to inject papaverin-phentolamin, a stimulant for men with erection problems, of whom there is estimated to be 25m in the US alone;

■ HeparinPen for Rhone Poulenc's big selling anti-coagulant drug used in heart therapy and after-surgery treatment;

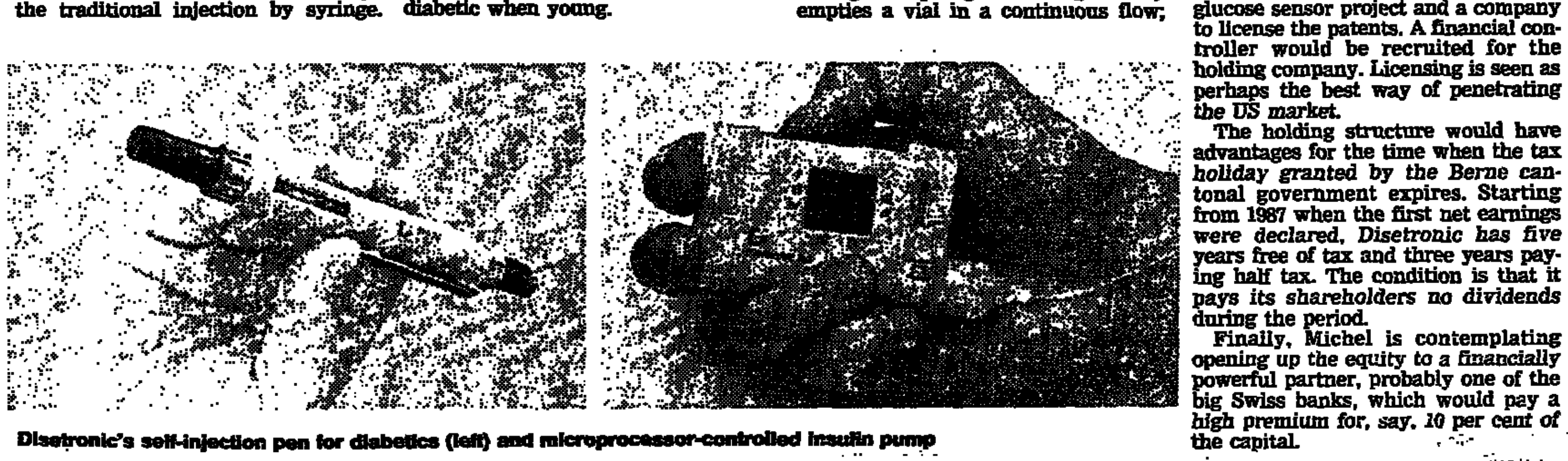
■ A two-segment pen for the growth hormone marketed by Kabi of Sweden

The list illustrates the programme that Willy Michel has to manage and finance, with a decision on automated production of the pens not delayable for long.

Currently, he is planning to introduce a holding structure for the company with separate subsidiaries for the Swiss and German operations, the glucose sensor project and a company to license the patents. A financial controller would be recruited for the holding company. Licensing is seen as perhaps the best way of penetrating the US market.

The holding structure would have advantages for the time when the tax holiday granted by the Berne cantonal government expires. Starting from 1987 when the first net earnings were declared, Disetronic has five years free of tax and three years paying half tax. The condition is that it pays its shareholders no dividends during the period.

Finally, Michel is contemplating opening up the equity to a financially powerful partner, probably one of the big Swiss banks, which would pay a high premium for, say, 10 per cent of the capital.



Disetronic's self-injection pen for diabetics (left) and microprocessor-controlled insulin pump

Business courses

Structured Systems Analysis and Design Method. London, November 14. Fee: £245 plus VAT (first delegate), £220 plus VAT (additional delegates). Details from the Information Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 01-871 2546, Telex 299180 MONINT G, Fax 01-871 3866.

Strategy and Finance. London September 11-15. Fee: £1,550 plus VAT. Details from The Registrar, Ashridge Management College, Berkhamsted, Herts, HP4 1BR.

INSEAD European Marketing Programme. Fontainebleau, August 20-September 8. Fee: FFr 48,000. Details from Professor David Gautschi, INSEAD, 77305, Fontainebleau Cedex, France. Tel: 33 1 60 72 40 00, Telex 690389 F, Fax: 33 1 60 72 42 42.

Comprehensive Introduction to Corporation Tax. London October 18. Fee: £190 plus VAT. Details from Quorum Training, Tavistock House, Tavistock Square, London WC1H 9TW. Tel: 01-388 2044.

Learning to Learn Workshop. Melton Mowbray, September 13-14. Fee: £440 plus VAT. Details from MCB University Press, 62 Toller Lane, Bradford BD8 9BY. Telephone Bookings and Enquiries 0280 817222.

Second European Conference on Business Ethics - People in Corporations: Ethical Responsibilities and Corporate Effectiveness. Fee: Pts 41,500 (£200) for European Business Ethics Network members, Pts 46,000 (£220) for non-members. Barcelona September 27-29. Details from Instituto de Estudios Superiores de la Empresa, Universidad de Navarra, Avenida Pearson 21, 08034 Barcelona, Spain. Tel: 03/205 40 00, Telex 50924 IESB-E, Fax: 03/205 45 64.

Practical Reliability Engineering and Management. London November 28-30. Fee: Residential - £630 plus VAT (for Institute of Quality Assurance members), £675 (non-members). Non-residential - £510 (members), £510 (non-members). Details from Institute of Quality Assurance, 10 Grosvenor Gardens, London SW1 0DQ. Tel: 01-730 7154, Telex 8950952, Fax 01-824 8030.

Strategic Information Systems Planning. London October 11-13. Fee: £650 plus VAT, first delegate, £585 plus VAT additional delegates. Details from Infomatics Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 01-871 2546, Telex 299180 MONINT G, Fax: 01-871 3866.

Brands and Valuations. London September 19. Fee: £295 plus VAT. Details from IIR, 44 Conduit Street, London W1R 9FB. Tel: 01-434 1017, Fax: 01-437 3322.

Accounting for Managers. Henley on Thames October 9-13. Fee: 1,090 plus VAT. Details from Fenella Galpin, Registry Administration Manager, Henley – The Management College, Greenlands, Henley on Thames, Oxon RG9 3AU. Tel: 0491 571454, Telex 849026 Henley G, Fax: 0491 571635.

Improving Internal Consulting Skills for Data Processing and Communications Professionals. Brighton August 21-22. Fee: £650. Details from Judy Green, Frost and Sullivan, 4 Grosvenor Gardens, London SW1W 0DH. Tel: 01-730 3438.

Project Planning and Control for Research Managers. Gerrards Cross October 5-6. Fee: £390 plus VAT. Details from Fulmer Research, Stoke Poges, Slough, Berkshire SL2 4QD. Tel 02816 2181, Telex 849374, Fax 02816 3178.

International Programme for Members of Main Company Boards. Geneva November 6-8. Fee: SFr 7,500. Details from Director, IPBM, International Management Institute, Geneva 4, Chemin de Conches, CH-1231 Conches-Geneva, Switzerland. Tel: (Intl: 41 22) 47 11 33, Telex 427 452 imi ch, Fax: (Intl: 41 22) 464 439.

Winning with Information Technology. London November 2. Fee: £275 plus VAT individual delegate, £245 plus VAT each additional delegate. Details from BSC Executive Development, BSC House, 43 Beckenham Road, Beckenham BR3 4PR. Tel: 0372 50272, Fax: 0932 872741/874063.

Strategic Modelling for Senior Managers. London 18-22. Fee: £1,750. Details from Registrar or Programme Director, London Business School, Sussex Place, Regent's Park, London NW1 4SA. Tel: 01-262 5050, Telex 27461, Fax: 01-724 7875.

Effective Investor Relations. London September 20. Fee: £295 plus VAT. Details from IIR, 44 Conduit Street, London W1R 9FB. Tel: 01-343 1017, Fax: 01-437 3322.

Post-acquisition Management. London November 17. Fee: £250 plus VAT. Details from Conference Organiser, Acquisitions Monthly Conferences, 11 Gloucester Road, SW7 4PP. Tel: 01-823 8740, Fax: 01-581 9429.

TECHNOLOGY

Dual route to customer-friendly flight information

Della Bradshaw reports on two new systems that will help air travellers to plan their journeys

Sitting in an airport departure lounge at six o'clock in the morning, there is always the nagging feeling – in spite of the travel agent's assurances – that there must be a more convenient flight to get you to that meeting.

Although most travel agencies are equipped with computer terminals, getting flight information is still a time-consuming task. Because different airlines store their data on different computers, the agent has to dip into each one in turn – just as he or she does when looking up the flights in paper directories.

All that is set to change. Increasing competition in the airline business, brought about by competition both in the US and Europe, has forced Europe's airlines to find more efficient ways of disseminating their flight information.

Following in the footsteps of their US peers, the airlines have turned to computer-based reservation systems (CRSs), in the hope of gaining the edge. The systems will give travel agents access on one screen to information about all the flights of the participating airlines, along with information on services ranging from hotels to ski hire.

Two rival projects have emerged in Europe, each one owned by a group of airlines. Between them they have invested about £500m in their computer systems, forming the biggest non-governmental computerisation sites in Europe.

Amadeus, with headquarters in Madrid and a computer centre in Munich, lists Air France, Iberia, of Spain, Lufthansa, of West Germany, and the Scandinavian airline SAS among the participants. The rival system Galileo includes Aer Lingus, of Ireland, Alitalia, British Airways, Swissair and TAP of Portugal in its shareholder list, as well as Covia, a subsidiary of United Airlines which runs the Apollo CRS in the US.

However, competition between European CRSs will be tame compared with that experienced in the US following deregulation 10 years ago. There, until forced to mend their ways by the US regulators, airlines unashamedly coerced travel agents into putting passengers on their flights through bias in the way the information appeared on screen. Tricks included displaying their own flights more prominently, or even omitting other airlines' flights altogether.

The resultant outcry led to calls in Europe for airlines to be banned from owning CRSs. Instead, the EC and European Civil Aviation Council compromised by laying down procedures for the display of data. All flights must be displayed in a neutral format relevant to the inquiry, for example in chronological order.

Because of these restrictions, the display on a computer screen linked to the Amadeus computer will look remarkably similar to the display coming from Galileo – indeed a customer sitting in a travel agency would be unlikely to know which service was being used.

The similarities have been heightened because the same airlines, such as Dan-Air of the UK, are joining both services. Galileo has signed up 150 of the world's 700 airlines, all eager to display their flight information on its database. But included in those 150 is Lufthansa, one of the leading participants in the rival Amadeus service.

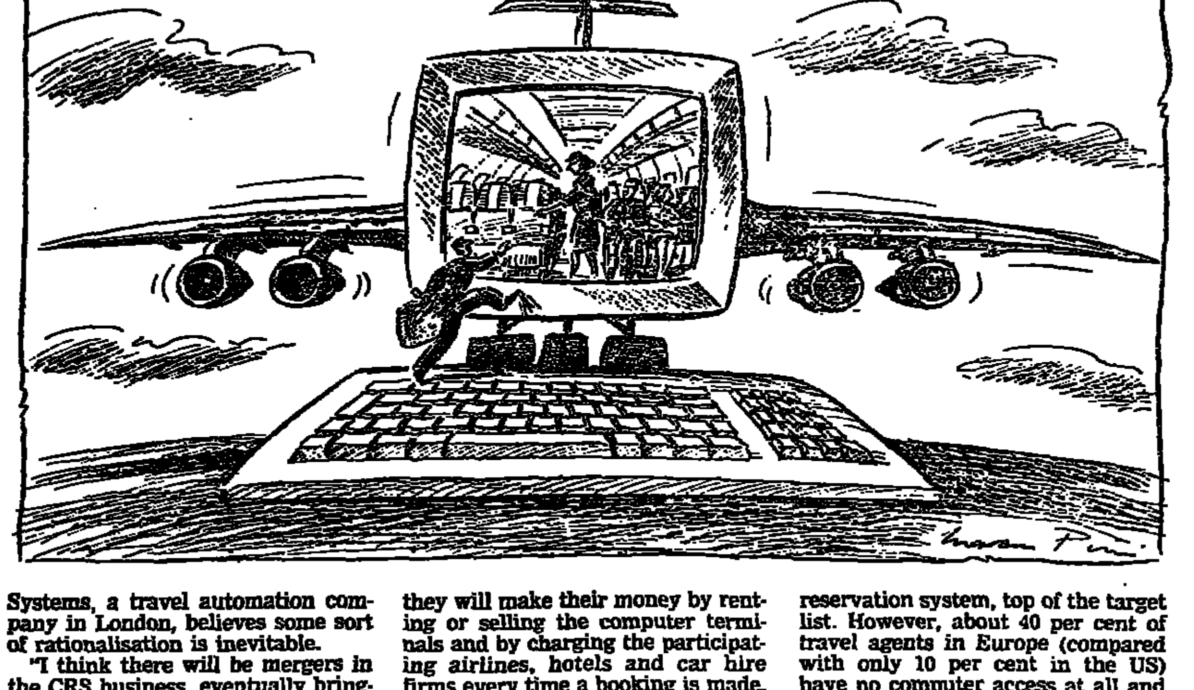
The two European operators say that two services will mean increased competition, greater efficiency and therefore benefits for the travel agent and the consumer.

In fact, two services only exist because of a technological wrangle. In 1985 the Association of European Airlines looked at the existing fragmented reservation systems in Europe, and at the way the US CRSs were spreading their wings internationally, and recommended that there should be just one huge CRS for all European airlines. But when the airlines got together, they fell into two camps: those with experience of CRSs based on IBM hardware (the Galileo camp) and those which wanted to exploit their in-house expertise with Unisys hardware (the Amadeus camp).

As a result, two systems were born. But the Amadeus camp soon decided that it had to change to IBM hardware to get a suitably powerful system – hence almost duplicating the Galileo effort.

The computer work involved in getting the two systems into operation is enormous. Galileo, for example, has 650 people beavering away on the software at its head office in Swindon. It will run on seven IBM mainframes in the first phase, with another five mainframes already planned to allow for expansion. Amadeus also boasts seven IBM mainframes. The huge computer power means that when they are fully operational they will be able to carry out up to 1,000 transactions per second.

But will all the investment pay off? Not everyone is convinced. Because of the proliferation of this new breed of CRS – Galileo and Amadeus in Europe and Abacus and Fantasia, the two Far Eastern CRSs, as well as the US systems – many think the market will be overcrowded. Philips Haines, general manager of Infocentre Travel Systems, a travel automation company in London, believes some sort of rationalisation is inevitable.



"I think there will be mergers in the CRS business, eventually bringing the number of systems down to about four, with each of those having a strong international coverage," he says. "Galileo already has strong US ties and I think we will see Amadeus moving towards a similar sort of arrangement."

As a result of the restrictions on information to be displayed, the European CRS operators will not be rewarded with the same financial prize as the US airlines. Instead, they will make their money by renting or selling the computer terminals and by charging the participating airlines, hotels and car hire firms every time a booking is made.

Galileo has already announced that there will be a flat rate charge of Ecu 1.84 (£1.23) for each flight booked. (So two single tickets from London to Paris and then on to Madrid would be charged as four flights and cost Ecu 7.36.)

So now Amadeus and Galileo are in headlong battle to sign up as many travel agents as possible, with agents using existing CRSs, such as British Airways' Travicom reservation system, top of the target list. However, about 40 per cent of travel agents in Europe (compared with only 10 per cent in the US) have no computer access at all and will have to invest in equipment if they want to participate. EC law prevents the CRSs subsidising the installation of such terminals.

Further expense for the travel agents will be incurred in the dedicated telephone links to the computer centres. In most cases they will be international, with travel agents choosing whether to communicate with the service in Swindon or Munich.

For the consumer the CRSs promise much. When customers decide on a flight, it can be booked and the ticket printed out on the spot – no need to "come back in three days." In addition a flight can be searched for using a number of criteria: which flight arrives nearest to a certain time? which is the cheapest? which is the quickest? and so on.

In the US large companies have been allowed to "in-plant" their own terminals into the CRS, so that they can look up flights and book them in the same way as the travel agent. Also individuals can call up the Tulsa-based Sabre CRS, operated by American Airlines, using a personal computer to get flight information.

The trend is for CRSs to put a wider range of services on to their computers, such as package holidays and tourist information. The British Tourist Authority's information package on the Scottish Highlands and Islands looks set to be the first such software package to be put on international CRSs.

Haines believes this is the way CRSs will develop. "In the past CRSs have been fixed in the view that they are host-based computer systems. Now they are realising they have to be network a:d service marketeers."

But in the UK, where the Galileo service will begin in October this year, travel agents are sceptical, says Claud Mistely, technology executive for Abta, the travel agents' representative body. "No one really knows what these mega-systems will produce. They've promised us a great deal, but agents need more information before they can make decisions."

Attacking the problem of corrosion in reinforced concrete

AGE IS proving very unkind to reinforced concrete. A couple of decades of exposure to city atmospheres has left many concrete buildings streaked with stains and crumbling in ugliness.

Corrosion of the reinforcement material is a particular problem. This has arisen because traditionally the "rebars" (reinforcement bars) have been used untreated.

Now the paint industry has come up with a solution. One approach lies in coating the rebars in the factory to provide a thick, inert barrier between concrete and steel. Another is designed to deal with the corroded bars in existing buildings.

The problem was not foreseen by the architects of the 1950s and 1960s. Concrete is a utilitarian building system that was suited to post-war shortages of materials, but it was also supposed to possess architectural virtues.

These centred on its ability to provide sharp corners and shapes, which were supposed to create contrasts between light and shade. Simplicity and function were supposed to combine to do a budding Gropius or Le Corbusier proud.

Anyone walking around a modern city knows that things have not worked out like that. For one thing, the light is usually wrong for much of the year in countries like Britain: leaden skies do not cut sharp shadows.

Then there is the colour of the concrete. It is usually grey or brown and ages into something else, possibly variegated. Whatever it is, it is not white, so that sharpness and contrast of light and shade are further diminished.

Finally there is the deterioration of surfaces and appearance caused by simple chemistry. Not only does this leave concrete stained, it also makes some of it dangerous because chunks start falling off, threatening passers-by.

Concrete will always be used in building because of its relatively low cost and versatility. At its simplest it is an aggregate of stones of different sizes, mixed up so that the smaller ones fill in the gaps between the bigger ones, all held together by cement.

It can be poured easily into moulds and it cures into a tough solid as the cement sets. By nature it is strong when compressed but, since there are no long strings of molecules in the cement, it is weak under tension, which is why it is reinforced with steel bars.

It was long assumed that because cement is itself alkaline, corrosion would not be a problem for the rebars. This is the case for rebars deep inside the concrete, but experience has proved otherwise for those nearer the surface, typically about two inches in.

Carbon dioxide, slightly acidic rain and the odd chlorine ion present in urban atmospheres attacks concrete chemically, weakening its natural alkalinity. Gradually, carbon dioxide penetrates to the rebars and, as the alkaline environment breaks down, they start to rust.

The rust swells to $2\frac{1}{2}$ times the volume of the steel rebars and puts the concrete under attack from within, pushing it outwards and putting the relatively fragile bonds of the cement under tension. Eventually, bits start falling off.

To restore buildings which have succumbed to this problem, Crown Protective Coatings, part of Crown Berger Europe, has launched the Cemguard concrete repair system.

First, damaged concrete is chiselled down to the shallowest layer of rebars, which are cleaned and coated with a surfacer, along with the exposed concrete interior.

The holes are then filled with a repair mortar, which is modified with polymers to give it strength and resistance to further chemical attack. A sealer, undercoat and rain resistant, semi-gloss finish are then applied.

Since the concrete ends up painted, Crown says that this provides an opportunity to repair visual damage too.

The other virtue of Cemguard is that the resin system has been designed chemically to work just as well on concrete that has only just set, even though it has still to dry out properly.

This means it can be applied to new buildings as soon as the shuttering – which forms the mould into which wet concrete is poured – is removed. Construction and painting can thus be done from the same scaffolding. The system is therefore being promoted to specifiers and architects, as well as people responsible for repairing crumbling edifices.

Dennis Lindop, marketing services manager, says that the cost depends on the state of the building. The degree of corrosion determines the amount of mortar required and, depending on the damage to the concrete, the surfacer may have to be applied both before and after the mortar. "The cost of the paint is negligible compared with the scaffolding and labour," he adds.

Ian Hamilton Fazey

THE PROPERTY MARKET

Ups and downs of Aberdeen

By Paul Cheeseright

Aberdeen has unemployment lower than the national average. It has personal incomes above the national average. Yet, according to the Investment Property Databank, its offices have been the worst performing in the UK if returns are averaged out on an annualised basis over the last eight years.

The city has been behaving differently from other regional centres. Last year, with Belfast and Liverpool, it was one of the few centres left untouched by the recent surge in rental values. The growth was 0.3 per cent.

This difference in behaviour is largely the result of shifting plans in the oil industry. "The Aberdeen market exhibits a three-year demand cycle. This reflects changing local and economic circumstances. The peaks – in 1977, 1979, 1982 and 1985 – followed the location and expansion programmes of the oil industry," noted the Scottish Development Agency.

"The downturn didn't result in a lot of offices on the market, but expansion plans were shelved," commented Roddy Simpson of Ryden, chartered surveyors. Indeed, the oil industry downturn from the mid-1980s affected the movement of people more than the emptying of space and had its biggest effect not on the commercial but on the residential property market.

In the early 1980s, office rents were hitting £8.50 a square foot, more than in Edinburgh and Glasgow, but since then they have not changed much, while those in Glasgow and Edinburgh have moved sharply upwards.

Yet some space was being taken up – by the financial sector and, most significantly, by the Property Services Agency. And these underlying movements emphasised that, as Alec Mair, President of the Aberdeen Chamber of Commerce, put it: "Aberdeen has always lived by the land and by the sea; oil was grafted on to an economy which was fairly stable."

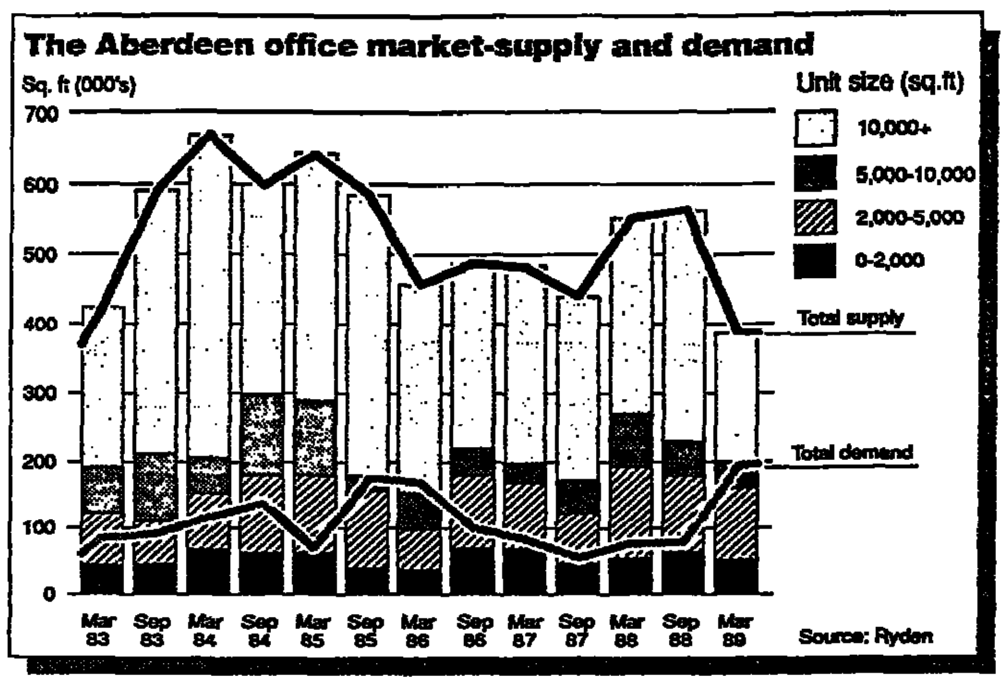
Since early this year, there appears to have been a change in the market as the oil industry has started to move into an expansionist phase. There are no expectations of a bonanza this time.

"There's not the pressure of the days before 1985, but a more solid approach with the emphasis on quality. In the past there was too much that was jerry-built and that came back on the developers – it wasn't letting," said Jack Winchester, one of the Aberdeen City Council planners.

Like other regional centres at the start of 1988, predictions of a shortage of supply are widely made. The existing office stock does not meet modern requirements, said Mr Simpson, "and there's precious little to choose from; there's only one building where you can get 20,000 square feet." And there's only one building of that size under development – by Bredero as an extension to its Bon Accord shopping centre.

A surge of development seems unlikely until it is established that rents will hit the £12 a square foot level, and, even then, there might be some reticence because of institutional attitudes to the market.

It is not that the institutions have pulled out of the market. It is just that they have stopped buying. Given the fragility of the office market, it is not surprising. So the main development and investment interest has been in the retail sector. In this regard City Council planning policy stresses the primacy of the city centre as the prime shopping centre for the Grampian region.



THE BIGGEST retail venture in Aberdeen is the Bon Accord centre, 270,000 square feet under development by Bredero. It will be the biggest of a trio of shopping centres in the city, the other two being owned by Norwich Union and Postel.

There has been a succession of development proposals before the City Council, both for shopping centres and isolated superstores, showing that whatever might have been happening in the office sector, retail at least was buoyant.

Bon Accord in many respects is a microcosm of major retail development in the UK, both in terms of the arrangements made with the City Council and its financing.

The City Council held a competition to find a developer as far back as 1973, then amended the development brief a year later. Bredero stayed with the project through a public enquiry in 1976. The City Council then ran into financial problems assembling the land.

The system worked out was that Bredero provided the City Council with the funds to make compulsory purchases. But Wordie Property, a local company with landholdings on the site, objected to the plan for the centre and wanted the public enquiry reopened. Rather than see that happen Bredero negotiated Wordie into the project.

Wordie accepted the compulsory purchase of its land, but recycled the funds it received back into the project, so that it is now entitled to an undisclosed share of the rental income. This runs in parallel with the agreement between Bredero and the City Council. Bredero pays a ground rent of £40,000 to the City Council. Once the return on the costs of the project have reached 9.5 per cent, the City Council takes 16.5 per cent of the surplus over that figure.

As far as development costs are concerned, Bredero has received a cash injection because of premiums paid to obtain space in the centre by C&A and Boots. But the basic funding comes from a £45m non-recourse loan from Citibank.

Bredero has set up a 50-50 company, Bredero Aberdeen Centre, with Hambros, the merchant bank. This is the legal entity which receives the loan and runs the project. But it is off the Bredero balance sheet. Hambros has no role in the project: it just takes a fee for lending its name to the enterprise.

This is the sort of company which looks like an associate but is in fact a subsidiary. It is not a joint venture with Hambros except in name. It will be caught up in the legislation going through Parliament to change the definition of a subsidiary.

That will become academic, however, because this year Bredero expects to take the Citibank loan on to its own balance sheet. The funding is in two parts – a construction facility and a term facility, repayable five years after completion of the project.

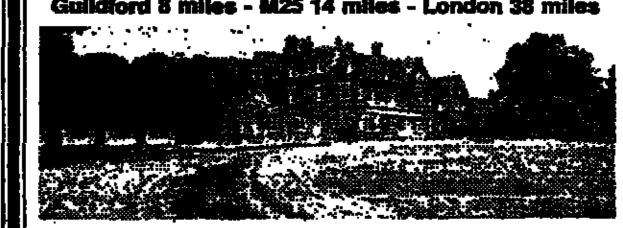
Completion will be next year so there is plenty of time for Bredero to consider re-financing or sale. If interest rates go down slightly, then rental income from the centre will cover the financial charges, enabling Bredero to retain 100 per cent of the equity until the first rent review.

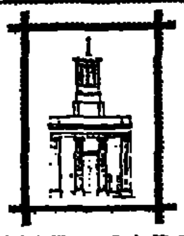
But there is no intention to hold 100 per cent, largely because it would mean too big a proportion of resources tied up in one property. Rather Bredero expects to sell between a half and two thirds of its Bon Accord stake.

Rental value growth (%)

	Retail	Office	Industrial	All Property
Year to Dec 88	19.9	27.9	22.2	23.9
Year to May 89	17.2	24.2	24.8	21.4
Monthly rate – May 89	0.7	1.7	1.2	1.2

Source: Investment Property Databank





COMPANY NOTICES

ART GALLERIES

ARTS

Arts Week

F	Sa	Su	M	Tu	W	Th
21	22	23	24	25	26	27

THEATRE

London

The Merchant of Venice (Phoenix). Dustin Hoffman's Shylock a sympathetic, semaphore-gesturing alien in Peter Hall's fine Venetian Renaissance production. Geraldine James a superb Portia (836 2294).
Much Ado About Nothing (Strand). Alan Bates and Felicity Kendal lead strong ad hoc company in turnabout fortnightly rep with Chekhov's early, astringent Ivanov. Not to be despised (836 2660). Ends July 29.
The Black Prince (Aldwych). Ian McDiarmid gives the performance *of a lifetime in Iris Murdoch's* distillation of her own Hamlet novel. Witty black farce, vitriolic and entertaining (836 6404).
Ghetto (Olivier). Brilliant National Theatre version of Joshua Sobol's Israeli play about the last days of the Vilna ghetto and its resident theatre company. Moving and shocking. Nicholas Hytner directs, Bob Crowley designs, good music arranged *by Jeremy Sams. July 21-26* (928 2252).
London International Festival of Theatre. LIFT, the fifth biennial festival takes place all over London during July. Recommended highlights are the Abbey Theatre of Dublin in TomMurphy's *A Whistle in the Dark* at the Royal Court (730 1745) all month, the Katona Jozsef Theatre of Budapest in Chekhov and Gogol at the Old Vic (928 7616) until July 23, and the *Comédie de Genève* in Strindberg's *Miss Julie* at the Lyric Hammersmith (741 2311) in the last week only. More details on 240 2428.
Anything Goes *(Prince Edward).* Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zaks's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 3464).
Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Clive Francis plays Guy Burgess in a rehash of Bennett's fine TV film *An Englishman Abroad* (734 1166).
M. Butterfly (Shaftesbury). *Anthony Hopkins as the tortured* diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).
Henceforward (Vaudeville). Martin Jarvis and Joanna van Gyseghem in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).
Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).
Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain *an authentic touch.*
Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.
Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient *cast in the inevitable but disappointing hit.*
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically *feline* (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater *for eight years but also updated* the musical genre with its back-stage story in which the songs are used as auditions rather than emotions (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Me and My Girl (Marquis). Even *if the plot turns on ironic mimicry of Pygmalion,* this is no classic, with forgettable songs and dated leadenness in a stage *full* of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).
M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).
Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

A Funny Thing Happened on the Way to the Forum (Goodman). Stephen Sondheim's most popular musical, for which he wrote both music and lyrics, stars Louis DiCrescenzo as *Pseudolus in Burt Shevelove* and Larry Gelbart's adaptation of Plautus. Ends Aug 6.
Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Tokyo

Kabuki. Both the matinee and evening performances at Kabuki-za (541 3131) *feature the prodigious* Ishikawa Ennosuke, whose barnstorming acting style, spectacular aerial stunts and costume quick-changes have attracted a younger audience to kabuki, but also reflect its roots as a truly popular theatre. At 11am: *a mixed programme of four short plays.* At 4.30pm: Hitori Tabi 53 Tsuki, a colourful tale of inheritance and vendetta which includes a fight beneath a "real" waterfall (ends July 27). *At the* National Theatre (265 7411): *Narukami*, noted for its curious mixture of bawdiness and Buddhism (ends 25 July). **Les Miserables.** *(Imperial Theatre) Strongly-cast revival (in Japanese)* of the stirring musical of the storming of the Paris barricades (201 7777).

MUSIC

London

Juliette Greco, as part of the City of London Festival this special event is held to mark the 200th anniversary of the French Revolution (Fri). Barbican Hall (638 8891).
London Concert orchestra. An Evening with Tchaikovsky, conducted by Philip Simms, with William Stephenson (piano), and the Band of the Welsh Guards (Sat). Barbican Hall (638 8891).
Royal Philharmonic Orchestra, conducted by Carlos Paita, with Hideko Udagawa (violin). Rossini, Brahms, and Dvorak (Sun). Barbican Hall (638 8891).

Paris Festival Estival

Clarinet concert, with Jean-Michel Charlier, Colette Orloff (piano), Quatuor de la Monnaie from Brussels. Prokofiev, Hindemith, Shostakovich (Mon). Auditorium des Halles.

Noelle Spieth. Harpsichord concert. Pierre-Louis and Armand-Louis Couperin (Wed). Auditorium des Halles.

Two pianos: Staphane Leach and Yves Rault in Homage to IvanWyschnegradsky *(Thur)*. Auditorium des Halles (Details 48048801, in English 47208898).

Summer festivals in France.

Orangerie de Sceaux in the Paris region. July 22 - Sept 3 (46600779).
La Chaise-Dieu in Auvergne, Aug 23-30 (71000116).
Saint-Jean-de-Luz, Aug 30 - *Sept* 16 (59260316).
Provence, Cote d'Azur. July 7 - Aug 8 (90342424).
La Roque-d'Antheron, Aug 1 - 23rd (42505115).
Menton, Aug 5 - 31 (93575700).

Brussels

National Day Concert, fireworks and festivities, Parc de Bruxelles (Fri).
Les Petits Chanteurs de St-François de Versailles conducted by Yves Athenont with Michel Maquaire (viola), Jean Regnery (organ) playing Boely, Charpentier, Delalande, Dumont, Lully, Rameau, Robert (Sun). Eglise Saints Jean at Etienne.
Zygmunt Kowalski (violin) and Robert Redealli (piano) playing sonatas by Beethoven, Franck and Mozart (Mon). Chapelle des Brigittines.

Amsterdam

Orchester-Akademie Hamburg, with Chen Zuohuang (violin), Miha Pogacnik conducting. Dun, Brahms, Hindemith (Fri). Concertgebouw.
Wiener Jeunesse Orchester, conducted by Manfred Honeck. Strauss, *Beethoven, Schubert* (Sun).
National Youth Orchestra of Belgium, conducted by Dirck Brossé, with Rigo Messens (cello). Brossé, Elgar, Maes, Borodin (Mon).

Vienna

Wiener Hofburg Orchester conducted by Gert Hofbauer. Miscel*laneous operetta* and waltzes. Konzerthaus (Thur, Sat, Tues).
Donald Sutherland organ recital. Reger, Tittel, Heiller, Schuller. Augustinerkirche (Fri).
Haydn Sinfonietta Wien conducted by Michael Morgan. Hoffmeister, Mozart. Grosser Redoutensaal (Sat, Mon, Wed).
Salomon String Quartet. Haydn, Mozart, Schubert. Grosser Redoutensaal (Sun, Tues).

Rome

Brno Philharmonic Orchestra conducted by Peter Wronsky playing Smetana's Cycle of Symphonic Poems, My Country, and Dvorzak's Slavonic dances (Fri).
Soviet Radio Orchestra conducted by Vladimir Fedoseev playing Tchaikovsky, with violinist Victor Tretiakov, and Mussorgsky's Pictures at an Exhibition (Thurs). Piazza del campidoglio. (6541044).
Romaeuropa Festival. A homage *to a major Italian contemporary* composer, Luciano Berio, by the Ensemble Villa Medici (music-*scholarship* holders at the French Academy), conducted by Frederic Durieux, playing Berio's O King (1967) for voice and six instrumentos, Frederic *Durieux's Marges Ii (1989)*, Michael Jarrell's Eco2 (1980), and recent works by De Villers and Thierry Lancino (Wed). Piano recital by the Argentine pianist, Marta Argerich. Palazzo *Farnese* (Thur) (French Embassy) *(4744776* or *6544601/2)*.

Sienna

Chamber music concerts in the *Val d'Orcia, July* 22-August 2.The Incontri in Terra di Siena are now in their second year.Dedicated to the memory of the novelist Iris Origo and her husband *Antonio, who made their life*-work the restoring of this poor southern end of Tuscany to its former Renaissance beauty, one of the aims of the Incontri is to *alert public consciousness to* preserving the unsullied beauty of the area. Organised by the novelist's daughter, Benedetta Origo Crea and her cellist grand*son*, Antonio Lysy, the five concerts will take place in the gardens of the medieval fortress, the Castelluccio di Pienza, the Palazzo Piccolomini and the Fattoria Dell'Amorosa at Sinalunga, with the added pleasure of dinner in the gardens afterwards (at a *cost of L60.000 [$43]) pro*vided by the nearby Locanda Dell'Amorosa. The opening concert will be given by the 12-strong Goldberg Ensemble (*Mozart*, Elgar, Arnold and Dvorak). The *remaining four concerts* (July 24, 27, 30 and August 2) feature Jeremy Menuhin and Susan Tomes (piano), Charles Andre Linale and Stepanie Gonley (violin), Roger Chase and Roger Chapping (viola) and Anto*nio Lysy and* Eduardo Vallo (cello). Details (0578 64050/ 755105).

Washington

Fred Waring US Chorus. Porter, Gershwin, Rodgers. Kennedy Center Concert Hall (Tue) (254 3776).

Chicago

Ravinia Festival. Kronos Quartet. Glass, Terry Riley, Reich (Mon); Pinchas Zukerman violin *recital with Marc Neikrug* (piano). Stravinsky, Beethoven, Toru Takemitsu, Robert Fuchs (Tue). Highland Park (728 4642).

Tokyo

Dang Thai Song *(piano), Josef* Suk (violin), Tsuyoshi Tsutsumi (cello). Dvorak, Tchaikovsky. Suntory Hall (Mon) (505 1010).
Osaka Symphony Orchestra conducted by Takashi Asahina. Mahler. Suntory Hall (Thur) (289 9999).

EXHIBITIONS

London

The National Gallery. The Artist's Eye – this year the abstract painter, Bridget Riley's turn to take her pick of the collections. Daily until August 31.
The Whitechapel Gallery. Euan Uglow – a retrospective of the paintings of the nude by a painter who is at once the most severely objective and the most seductive of our painters of the figure. *Until September 3; closed* Mondays.
The Hayward Gallery. Art in Latin America – a rich and fascinating survey of the paint*ing and sculpture that has come* out of Central and South America since the early 19th century. Daily until August 6.
The Royal Academy. The 221st *Summer Exhibition of the Royal* Academy – the usual gigantic and enjoyable free-for-all of painting, sculpture, print and architecture with nearly 1,200 works on show. Daily until August 20.

Paris

The Louvre. The glass pyramid, *built by I.M. Pei, the Sino-American* architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Open 9am-*6pm, Mon and Wed until 9.45pm,* closed Tue.
The Louvre. Michelangelo as draughtsman. Some 80 drawings chosen from great international collections come to Paris after being exhibited in the National Gallery of Art in Washington. Closed Tue. Ends July 31.

Centre Georges Pompidou. *Matisse drawings.* Some 100 works retrace the painter's creative development from the post-academic beginnings *to the fauve* period and to the greatbrush-drawings of the 1940s and 1950s. Closed Tue, *ends* Aug 27.

Bibliothèque Nationale. 1789 Le Patrimoine libéré. Rather than inheritence liberated, words like confiscation and plunder would describe more accurately the manner in which the 200 treasures, chosen from hundreds of thousands of documents, reached the Bibliothèque Nationale from churches and palaces during the revolutionary years. Rue de Richelieu. Ends Sept 10.

Centre Georges Pompidou and La Grande Halle de la Villette. A *mammoth exhibition* – Les Magiciens de la Terre – is ambitiously subtitled the First World Exhibition of Contemporary Art. Centre Georges Pompidou *(42771233)* and Grande Halle de la Villette, 211 Ave Jean-Jaures, Metro Porte-de-Pantin (42497722). Both exhibitions closed Tue and end August 14.

Galerie Odermatt-Cazeau. Masters of the 19th and 20th century. *A large* Bonnard – *La Place* de Clichy – catches the bustle of a Parisian street. 85 bis, Rue du Fbg.-Saint-Honoré (42669258). Closed Sun. Ends July 29.

Martigny

Fondation Gianadda. A Henry Moore retrospective of some 50 sculptures, 80 drawings shown *in rotation* and 60 engravings is as impressive by the judicious selection *of exhibits*, as by the exceptional location for 12 of the monumental statues in a park with Alpine peaks as a backdrop. Ends Nov 19 (026-223978).

Brussels

Centre Culturel le Botanique. A sense of catastrophe – art in the 1980s shows works of American and European artists. Closed Monday ends August 13.

Frankfurt

Schirn, Kunsthalle, Am Römerberg 6a. A Wassily Kadinsky retrospective (1866-1944). Wassily Kadinsky, initiator and founder of the famous Blue Horse style also created a new form of abstract painting. Ends Aug 20.

Bonn

Kunsthalle am August-Macke-Platz, Hochstadenring 22.Centres, Residences and Metropolis in German History. Ends August 20.

Bremen

The Kremlin Gold. The exhibition is jointly organised by the Bremen Uebersee Museum and the Moscow Kremlin Museum. Bremen Uebersee, Bahnhofsplatz 13. Ends August 13.

Vienna

Messepalast. A thoughtful exhibition, called the History of the Modern Mind, deals with the *works of Sigmund Freud as well* as the plethora of artists who grew up in Vienna at the turn of the century. *Ends* August 6.

Rome

Galleria Nazionale d'Arte Moderna. The Sonnabend Collection contains a little of everything, from pop-art with some of the best-known works of Warhol, Lichtenstein, Jim Dine, followed *by examples* of American minimal art (Flavin, Judd, Morris), to conceptual art and *Arte povera*, with works by Gilbert and George, Paolini, Merz, Pistoletto *and Kounellis, with some curious* examples of German neo-expressionism. Until Oct 2.

Turin

Russian and Soviet Art: 1870-1930. Renzo Piano, architect of the Beaubourg, has given the 250 works chosen from Soviet museums by Giovanni Carandente an immensely effective setting, turning the ground-floor workshops of the disused Fiat factory into the equivalent of an Arab tent. Ends October 20.

Spoleto

Rocco Albornoziana and Church of S. Nicolo. 17th century painting in Umbria. The exhibition is the fruit of nearly 20 years research work by Professor Brunotoscano *and a* group of helpers, who have been through Umbrian churches and convents with a toothcomb, and the gloriously restored results can be examined *close-to in two settings (of which* the latter is by far the most satisfactory). Ends Sept 28.

Venice

Museo Correr. French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seascapes, Seurat's La grande Jatte, and Renoir's Madame Monet and Son. Ends Sept 4.

New York

Museum of Modern Art. A retrospective of the work of Helen Frankenthaler covering 40 years in 40 paintings explores the development of abstract expressionism since the war. Ends Aug 20.

Washington

National Gallery. More than 400 images are part of a massive retrospective of the 150 years of photography, here represented by Alfred Stieglitz, Walker Evans, Laszlo Moholy-Nagy among dozens of others. Ends Aug 13.

Paul Taylor

SADLER'S WELLS

Twenty five years ago, Paul Taylor brought his company to London for the first time and won the hearts of dance-lovers absolutely. Grace, dignity, things merry and things dark, held us enthralled, and for the next decade he was an infrequent but most welcome visitor. Then a terrible gap of 16 years and now a season at Sadler's Wells – and we rejoice. And after a quarter-century, the same delight in the dances and the dancers, because the same marvellous amalgam of the noble and the simple, the buoyantly happy and the disturbing. Taylor has deepened and developed his art, of course, but there is in everything an integrity of means, and an imagination ready to seize on the odd as well as the inspiring to fire the dance.

As initial guide there is the score. Alone among modern dance choreographers Taylor has the wit as well as the sensitivity to use good music: his first programme comprised Bach, Boyce and Ligeti. Because he is able to explore such works without making the process either laboured or insulting to their author, his dances find an ever-fresh impetus and dynamic range.

The opening *Arden Court* is quintessential Taylor in the buoyant physicality of its language. Six men, strongly made, yet light for all their powerful musculature, bounce, leap, roll and flash past three girls. The dance breaks into duets and trios. A girl sports and frolics round, on and over a man; another girl is a fascinated observer of a chap's dancing; the relationships are companionable, loving, respectful. All very Taylorian, as is the sweet inevitability of the work's progress and the delicious nuances given to a clearly defined language. It is a beautiful, happy piece set to William Boyce symphonies, wonderfully danced by a company that looked on very top form.

The succeeding *Counterswarm* is a response to the eerie buzzings of Ligeti's 'cello concerto and his chamber concerto. Two groups of insects – Taylor's vocabulary of pincer-arms and stabbing hands so convincing that the cast do not seem human – maintain a tenuous armistice until the communities become aggressive and a battle between the leaders of the hive seems part mating ritual, part combat. What gives an added curiosity is the Santo Loquasto costumes which are like echoes of the harem dress of *Scheherazade*. Taylor devises certain poses that evoke the Golden Slave's death-throes and the odalisques' attitudes. It is all very odd, and utterly fascinating.

This first of four programmes ends with *Musical Offering* which Taylor subtitles "a requiem." The cast are dressed uniformly in archaic Minoan skirts; Bach's score impels the dancers into what seem like gestures and steps moulded from primeval clay. As the music opens out, so does this contemplative, rigorous, marvellously daring response to it, and we are held – as we are always held – by Taylor's ability to clothe the known in the magic of his imagination, and thus renew it for us.

The season continues for three weeks. Essential viewing.

Clement Crisp

Curtain up on the eve of Revolution

Anthony Curtis reviews a dramatic double bill at the Avignon Festival

In this bicentennial year, the Avignon Festival has not tried to relive the Revolution but, as it has for several years now under Alain Crombeque, to penetrate neglected areas of European drama. Within this general aim there has, however, been a gesture or two towards the inheritance of the Revolution.

Peter Weiss's *Marat Sade* has cropped up on the Fringe, in a production by a locally-based company, at the Municipal Opera, while the most significant of these Revolution-oriented gestures has been a double bill consisting of Heiner Muller's *La Mission* and Schnitzler's *Au Perroquet Vert* presented by the brilliant Swiss director Matthias Langhoff in a joint production by his own Theatre Vidy of Lausanne and the Theatre de la Ville of Paris.

Muller's one-acter, *La Mission*, written originally in German and based on a novel by Anna Seghers, explores post-Revolutionary attitudes and the way under Bonaparte the process of liberation was rapidly arrested. Three members of the Convention, of widely different backgrounds, two white, one black, are sent of a mission to liberate the black slaves of Jamaica in the light of what has been happening in France and Haiti. The mission fails, mainly for the reason that the slaves are seen to prefer the security of bondage to the perils of freedom.

This unoriginal conclusion does not prevent the dramatist from springing a number of surprises on us as the sense of mission among the ill-assorted trio suffers violent shocks. The aristocrat, played with riveting disillusion by Serge Merlin, reverts to type and the other two remain steadfast but with their idealism cruelly snuffed out of them. Muller charts their decline in a bewildering variety of styles from direct dramatic confrontation, through mask and role-play, to Kafka-like monologue, all of which are blended together in the heat of his ferocious pessimism.

Schnitzler's *At the Green Parrot*, which follows without an interval on the same basic set and with the same cast, dates from the first centenary of the Revolution, in 1889. This compact comedy foreshadows Pirandello. We are in a fashionable bar, the Green Parrot, on the day the Bastille will fall. It is run by Prosper (François Chattot) a former theatre director. He is in sympathy with the aims of the Revolution but is too busy organising diversions for his affluent customers to take any active part.

The attraction he offers them is the authentic atmosphere of a thieves' parlour; the low-life characters, cut-throats, pimps and tarts, are really actors in disguise. These performers mingle among the customers, bursting, seemingly spontaneously, into violent language and lethal gestures. The suddenly aroused sense of menace gives the aristocratic voyeurs wild frissons of delight.

It is a contrivance that enables Schnitzler, whose text is translated into French by Marie Louise Oudiberti and Henri Christof, to recreate among the denizens of this candlelit cavern a complete model of French society on the eve of the Revolution. The commissioner of police, also in disguise, and the representatives of the *ancien régime* are cheek by jowl with demagogue, citizens, poets, vagrants and even a genuine pickpocket or two. As the comedy develops, and more and more wine is consumed, the theatre of violence is overtaken by the violence of the Revolution, the main point of a lively evening.

In themselves, both texts are fascinating reading, but in performance they gain an extra dimension from Langhoff's fluency of invention as a director and the comic virtuosity of his troupe. He has the second-best venue in Avignon for a performance, the Cloisters of the ancient Abbey of the Carmelites. Within its ample spaces his designer, Katrin Brack, has rigged up a most amazing sequence of ladders and ramps, reminiscent of a painting by Paul Klee, over which the members of the company clamber with the agility of a pack of monkeys.

The director's continual counter-text consists of arresting contemporary images, striptease being a favourite, deliberately distracting the audience away from the main text being played out on another part of the stage. In a last visual climax a cask of red wine capsizes, slurping out its contents symbolically as the citizens return to the Green Parrot bar, announcing that the first heads among the aristocracy have begun to roll.

If the Revolution was concerned to combat tyranny, another festival production, set this time in the gymnasium of the lycée Aubanel, reminds us of the Greek origin of the word. Jean-Pierre Vincent directs the Nanterre Amandiers company in plays by Sophocles and Aristophanes. The first, translated by Bernard Chartreux, is deliberately called *Oedipe Tyran*.

Here is an Oedipus (Aurelien Recoing) who might be a modern European politician, one whose private life has been suddenly put under scrutiny by investigative journalists. The role was stridently declaimed by an angry man in braces, with some good work from a Chorus pacing the sanded floor and a persuasive Creon in Bernard Ballet, last year's Polonius.

A scene from Schnitzler's "Au Perroquet Vert"

Some Americans Abroad

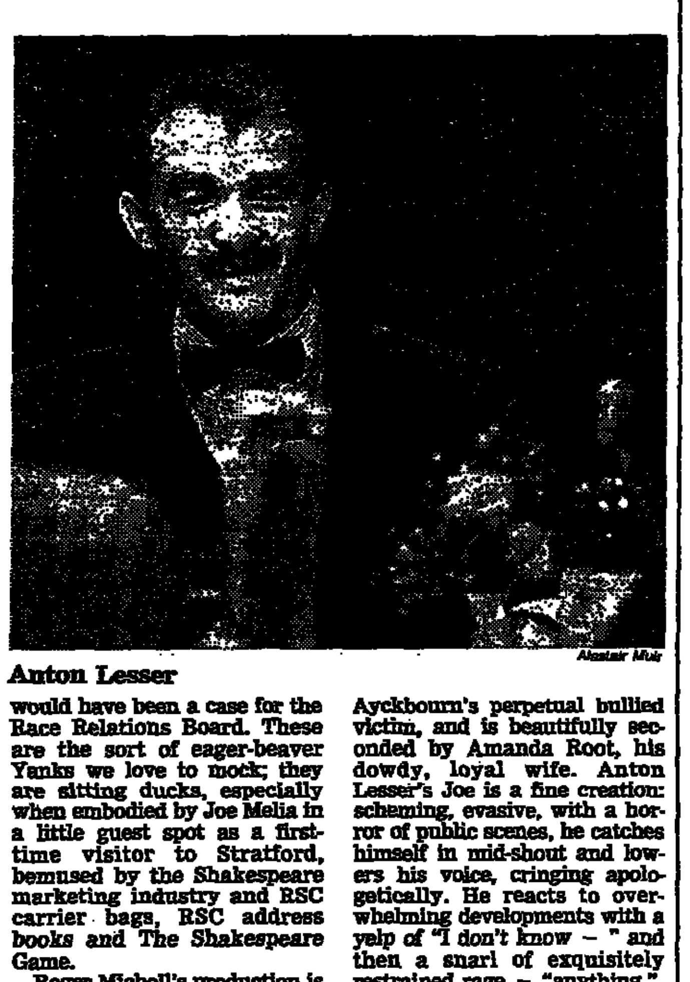
THE PIT

After the success here of his *Principia Scriptoriae* the American Richard Nelson has gratefully written an in-house bagatelle for the Royal Shakespeare Company, a frequently delicious joke about Americans and the British theatre, especially the RSC. It is beautifully performed, slips down like a spritzer on a summer night by the Avon, was happily greeted by a knowing audience, but may be as insubstantial as dry ice.

It elucidates that curious mystery, the American college theatre trip. We meet the adults at Luigi's in Covent Garden at a post-prandial argument about Shaw. Joe is the professor, given to utterances like "the pursuit of truth is a bumpy road" and "I do think the mind is quite extraordinary." Phil is aggressive. Both despise ineffectual Henry with his eager enthusiasm. We quickly learn that he is for the academic chop though nobody has told him.

The subsequent action charts territory familiar to the average RSC spectator. It ranges from Foyle's to the cultural landmarks of Stratford-upon-Avon (the theatre, Trinity Church Garden, the Arden Hotel and the High Street Pizza Hut) via the National Theatre's Lyttelton Buffet (misspelt with disdainful nonchalance in the RSC's projected caption). There is an interlude on Waterloo Bridge where they marvel at that artistic powerhouse, the NT ("I wonder how much a sign like that cost"), and Joe recites Wordsworth. "Wrong bridge," ventures Henry helpfully. "I know," *snarls* Joe, his jaws snapping like a pike's.

There are good in-jokes for theatre-goers, and the humour consists largely of delighted recognition, the nudge in the ribs. But ultimately Mr Nelson has come up with a series of comedy sketches verging on caricature with the slenderest pretence of a plot. Had an Englishmen created these Americans, earnest, gushing, culturally pretentious and financially nit-picking, it would have been a case for the Race Relations Board. These are the sort of eager-beaver Yanks we love to mock; they are sitting ducks, especially when embodied by Joe Melia in a little guest spot as a first-time visitor to Stratford, bemused by the Shakespeare marketing industry and RSC carrier bags, RSC address books and The Shakespeare Game.



Alastair Muir

Anton Lesser

Roger Michell's production is graced by some lovely playing. John Bott and Patricia Lawrence are an elderly American academic couple retired to Rye, [illegible] considered "Dickensian London" (jokes about the Barbican) and Liverpool where Hawthorne was consul – hastily dismissed when actually visited. The writing is at its best when hinting – the old man's query about a student's name being Jewish, his dislike of French plays; her gentle, rueful wisdom – and letting us fill in the blanks.

Simon Russell Beale moves superbly from his customary fop to a wimp with ineffectual Henry, an American cousin to Ayckbourn's perpetual bullied victim, and is beautifully seconded by Amanda Root, his dowdy, loyal wife. Anton Lesser's Joe is a fine creation: scheming, evasive, with a horror of public scenes, he catches himself in mid-shout and lowers his voice, cringing apologetically. He reacts to overwhelming developments with a yelp of "I don't know – " and then a snarl of exquisitely restrained rage – "anything."

Of course, they do get to recite Wordsworth on Westminster Bridge, standing glumly under umbrellas. Much of the play is beautifully funny but also patronising and glib. Easy enough to laugh at Henry's starry-eyed "You'll come back to England in ten years maybe and it'll all still be here." But it won't. London disappears day by day. And when Joe, American enthusiasm suddenly touching, talks of "a living education – that's what England could be," the cynical laughter of our synthetic, shallow society should freeze on our lips.

Martin Hoyle

Two 'Viva' concerts

FESTIVAL HALL

"Viva – Impressions of Latin America" is the latest of this season's South Bank "thematic" arts packages to be unwrapped in the music halls of the centre. From the evidence of two consecutive concerts in the Festival Hall earlier this week – Tuesday's by the Philharmonia, Wednesday's by the Simon Bolivar Symphony Orchestra of Caracas, both conducted by Eduardo Mata – some quite serious questions need to be posed about the whole enterprise.

Who on earth decided to spend good money (and how much money, indeed?) on such an ill-assorted, unfocussed mixture of unfamiliar names and works? And why? Did anyone consider promoting the concerts with a view to actually attracting an audience? (Both of these were quite disastrously ill-attended; for Tuesday's there was the excuse of the transport strike, but the following evening that could hardly be applied.) How were the works and composers chosen? What is it all *for?*

There is no doubt that the vast continent of "serious" Latin-American music is all but unexplored in this country, and that even the familiar names – Villa-Lobos, Chavez, Ginastera, Revueltas – are familiar only relatively. But what is needed in launching any such exploration is the kind of committed, knowledgeably distinctive, rigorously selective, carefully graded approach to the unknown and worthwhile that the Almeida Festival has made such an indispensable feature of its annual programmes. By contrast, it is difficult to dismiss the impression that there is little more to "Viva" than an optimistic, throw-it-into-the-pot mess.

So on Tuesday, for instance, we were given the decently post-Hindemithian, spineless (apart from the obligatory catchy-rhythm finale) Second Symphony for Strings (1950) of the Uruguayan Héctor Tosar (b.1923); the bright-toned (much use of travelogue-style electronics and a local-colour marimba) but insubstantial *El Espiritu de la Tierra* (1984) by the Mexican Federico Alvarez de Toro (b.1953); and samples of Ginastera's skilfully polished, essentially shallow art, including the Second Cello Concerto (1980-1), with its calculated exoticism of colour, written for and here played by his widow, Aurora Nátola-Ginastera. Here and elsewhere, the Philharmonia did not always seem entirely familiar with the notes on the pages, but Mata's guidance was admirably sure.

Wednesday's was possibly the sadder and certainly the more peculiar occasion. The orchestra – the Venezuelan national youth group – played with extraordinary (and, in the circumstances, heartbreaking) fervour and intensity, qualities mirrored, in the choral work after the interval, by the combined Schola Cantorum de Caracas and Orfeon Universitario Simon Bolivar Choirs. But their very efforts only highlighted the banality of the Brazilian Marlos Nobre's *In memoriam* (1973), an essay in international musical modes of the period now badly dated, and the dreariness of the Cuban Julian Orbon's Partita no.4 (1987) for piano (the excellent Tedd Joselson) and orchestra, a desperately turgid stretch of mimetic neo-Romanticism with pastiche elements of Spanish Renaissance music pasted on like so much plastic stucco.

The *piece de resistance* was the Venezuelan Antonio Estévez's *Cantata criolla* (1954), a blending of popular idioms (including some rap-like dialogues in complex syncopated rhythms for two male soloists) and devices inherited from Falla and Stravinsky. It was hard not to succumb to the performers' patent sincerity; equally, it was impossible to suppress a passing smile or two at the poster-paint crudities of the style and sound.

Max Loppert

Nash Ensemble

WIGMORE HALL

"On This Island," the Nash Ensemble's survey of English music, has run throughout the Wigmore season, finding a ready, ever-faithful audience, if without ever chancing upon any of the major discoveries or reassessments such a series might have provided. Bax and Bridge provided the less familiar fare in Wednesday's programme, Warlock's *The Curlew* and Delius's Cello Sonata were the staples.

Bax's 1919 Harp *Quintet* proved to be a beautifully crafted melding of plucked and bowed string sounds, lacking melodic memorability (the perennial Bax problem) and fractionally overstretching its material, but still managing to be personal. It defined a rounded creative intelligence in a way that Bridge's music never manages to do; his String Sextet, written between 1906 and 1912, shows the earlier conservative face of the composer, in many ways more convincing and coherent than the later Bergian chromaticised persona.

In such a thoroughly Brahmsian genre as the sextet the gap between Bridge and his late-romantic models seems closer than ever. The combined scherzo and slow movement makes much use a theme close to a late Brahms piano piece and the voicings and workings out are all cut from the same cloth; it is all workmanlike but hardly memorable, and once again never comes remotely close to justifying the special pleading lavished on Bridge's reputation over the past decade and more.

The Nash gave both works their customary easy command, understandably finding rather more succulence in the Bax (with Skaila Kanga the spotlit harpist) than Bridge. But Christopher van Kampen's account of the Delius Sonata could have benefitted from more passionate delivery: unless its unending melodic flow is projected with convincing rhapsodic intensity point and shape are lost, though both cellist and pianist (the ever reliable Ian Brown) held its constituents together well enough.

The Curlew was perfectly sustained, graced with rapt string playing and eloquent cor anglais solos (from Gareth Hulse. Adrian Thompson delivered the songs without a trace of cosy nostalgia; to make it in a way as depressing and unblinking a songcycle as *Winterreise*, revealing the once-upon-a-time unacceptable face of the pastoral tradition, which now has come to seem its most enduring characteristic.

Andrew Clements

SALEROOM

In love with a golf club

The sensation of the day in the salerooms was the £55,000 paid by a Scottish dealer for a golf club at Christie's in Glasgow. It had been catalogued as a rake iron, maker unknown, c. 1910. Included in the lot was an old walking stick. The top estimate was £180 but two prospective buyers, the other being the dealer Spink, were obviously enamoured of the object and paid a price over four times the previous best for a golf club. Christie's is sticking with its catalogue entry and is certain the club is 20th century.

As ever, Sotheby's last auction of the season in London reveals the minutiae of the lives of the great, as it disposes of English literature and history. The top price in the morning session, £26,400, was paid for a second edition of T.E. Lawrence's *Seven Pillars of Wisdom*", one of 170 privately printed copies, but perhaps of more interest was the £13,200 and the £9,680, paid by Joseph & Sawyer for notebooks by a more popular writer, Ian Fleming.

They comprised his jottings for *You only live twice* and *From Russia with Love* and contain such notes as "Beware of motorcars with 2 women in the front seat." A first edition of *Live and let die*, inscribed by Fleming to Winston Churchill, did well at £5,800. Slipping back 300 years, the Fourth Folio edition of Shakespeare's works, printed in 1685, went for £25,320 as against the £15,400 paid by Quaritch for a Second Folio of 1632.

A big surprise was the £14,300 paid for a collection of autograph and typescript drafts on the theme of nomads and wandering by the late Bruce Chatwin.

Antony Thorncroft

Museums press for more money

Professor Brian Morris, chairman of the Museums and Galleries Commission, yesterday allied his influential body alongside the chairmen of the Trustees of the leading museums and galleries in pleading with the Government to provide more money for the hard pressed museums.

Professor Morris said the position was worst for the eleven museums funded by the Office of Arts and Libraries whose grants were fixed three years in advance and allowed for only an increase of just over 2 per cent this year. They are faced with pay increases and an inflation rate of 8 per cent, and the Commission hoped the Government could find the extra £5.5m needed for the eleven to make good their short fall.

He also supported the appeal by the chairmen for more money to repair their buildings, which they are now responsible for. The Government had increased its provision by 50 per cent in real terms when it handed them over to the Trustees, but Professor Morris agreed with recent surveys that suggest that the Minister for the Arts may need to double this sum, to £100m, to avoid an ultimate disaster.

A.T.

ARTS GUIDE

July 21-27

OPERA AND BALLET

London

Royal Opera, Covent Garden. The Royal Opera's sugary *Die Zauberflöte*, with its fake-18th century perspectives and rompish routines, is revived with an excellent cast – Keith Lewis, Karita Mattila, Mariella Devia, Francois Le Roux and Robert Lloyd – and Colin Davis as conductor. Further performances of Rossini's *L'Italiana in Algieri*, revived for Marilyn Horne; and final ones of *Cavalleria rusticana* and *I Pagliacci*, with Robin Stapleton as conductor and casts including Ghena Dimitrova, Diana Soviero, Vladimir Atlantov and Piero Cappuccilli.

Ballet. At the Coliseum the Bolshoy Ballet storms through a repertory of full-length ballets, including *Giselle*, *Spartacus* and *Romeo and Juliet*. Worth seeing, of course. So too is the wonderful Paul Taylor company at Sadler's Wells Theatre, with evenings of Taylor's superlative choreography and dancers.

Paris

Grand Palais des Champs Elysées. American Dance Theatre: Alvin Ailey: *Rainbow around my Shoulder*, *Memoria*, *Revelations*; followed by Moisseiev's Ballet with Russian and world folk dancing (48787515).

International Opera Festival at the Versailles Palace (ends July 30). *La traviata* with Edita Gruberova/Daniela Longhi/Nelly Miricioiu in the role of Violetta alternates with *Andrea Chenier* with Placido Domingo/Ermanno Mauro/Giorgio Aristo in the title role and Katia Ricciarelli/Natalia Troitskaya in that of Madeleine de Coigny (42676163).

Bayreuth

Bayreuth Festival. Wagner fans from all parts of the worldwill see the premiere of a *Parsifal* production by Wagner's grandson Wolfgang. Conductor James Levine leads a strong cast including William Pell in the title role, Bernd Weikl, Matthias Hoelle, Hans Sotin, Franz Mazura and Waltraud Meier. After criticism of Harry Kupfer's *Ring* cycle production, changes are expected for the revival. The main roles are once again sung by Siegfried Jerusalem/Rainer Goldberg, John Tomlinson, Peter Hofmann and Nadine Secunde. *Lohengrin*, conducted by Peter Schneider has Paul Frey in the title role, Cheryl Studer/Nadine Secunde, Ekkehard Wlaschiha, Gabriele Schnaut and Elke Wilm Schulte. *Tannhäuser* returns, after a one year brek with the new Venus Ruthild Engert-Ely, Cheryl Studer, Wolfgang Brendel, Hans Sotin/Manfred Schenk, William Pell and Siegfried Vogel, in Wolfgang Wagner's delightful production.

Munich

Opera: Munich Opera Festival. Richard Strauss' rarely played *Die Liebe der Danae* stars Sabine Hass, Andrea Trauboth, Spas Wenkoff, James King, Claes H. Ahnsjoe, Roger Roloff and is excellently conducted by Wolfgang Sawallisch. *Lohengrin* returns in August Everding's production with Peter Seiffert in the title role, Lucia Popp, Hans Guenter Noecker, Janis Martin, Wolfgang Brendel, and Kurt Moll. *Le nozze di Figaro* has a first-rate cast led by Margaret Price, Wolfgang Brendel, Susan Quittmeyer, Hermann Prey, Angela Maria Blasi, Cornelia Wulkopf and Manfred Jungwirth, conducted by Bernhard Klee. *Don Giovanni* is well sung by Thomas Allen, Julia Varady, Peter Schreier, Mariana Nicolescu, Jan-Hendrik Rootering and Angela Maria Blasing.

Rome

Terme di Caracalla. Mauro Bolognini's traditional but effective production of *Tosca*, conducted by Jan Latham Koenig, with Giovanna Casolla in the title role, Nicola Martinucci as Cavaradossi and Ingvar Wixell alternating with Elia Padovan as Scarpia. First performance of *Aida* this season with Grace Bumbry, Aprile Millo, Giorgio Lamberti and Gianni Furlanetto, conducted by Nicola Rescigno, and Prokofiev's *Romeo and Juliet*, with choreography by the Rome Opera's ballet company's director, Mario Pistoni; Margherita Parrilla and Mario Marozzi dance the lead roles (46.17.55).

Villa Medici. Romaeuropa Festival. Luigi Cherubini's forgotten masterpiece *Le due Giornate*, which describes how the librettist Bouilly was saved from death during the French Revolution. Given in oratorio version, conducted by Michel Plasson (Mon, Tues) (4744776 or 6544601/2).

Verona

The Arena. Performances this week include Verdi's *Nabucco*, conducted by Daniel Oren, with Silvano Carroli, Piero Cappuccilli, and Paata Burchuladze; Gianfranco de Bosio's production of *Aida*, conducted by Pinchas Teinberg with Aprile Millo and Bruno Beccaria, and *La Forza del Destino* with Maria Chiara, Giorgio Zancanaro and Nicola Martinucci, conducted by Sandro Bolchi (596517/8005151).

Ravenna

Ravenna in festival. Verdi's *La Traviata*, with Nelly Miricioiu and Renato Bruson, conducted by Massimo de Bernard (Wed) (32577).

New York

New York City Opera. Stanley Silverman conducts Harold Prince's production of Leonard Bernstein's *Candide* with Lisa Saffer as Cunegonde and Robert Tate in the title role. The week also includes *The Merry Widow* conducted by Imre Pallo with Michele McBride as Sonia and *Don Giovanni* conducted by Sergiu Comissiona in Harold Prince's production with Elizabeth Hollegue as Donna Anna and John Cheek in the title role. Lincoln Center New York State Theatre (877 4700).

London Festival Ballet. Billed as the "best from the London Festival Ballet", the company perform *Romeo and Juliet*, *Land*, *Anastasia*, *Etudes* and *Napoli* in their fortnight's visit, the first in nine years. Lincoln Center Opera House (362 2080).

Washington

Kirov Ballet. The company opens its two-week stay with *The Sleeping Beauty*. Kennedy Center Opera House (254 3770).

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
Friday July 21 1989

The market was misled

THE REPORT by Department of Trade inspectors on the Blue Arrow affair is a serious indictment of the management of the National Westminster Bank and its investment banking subsidiary. It will further undermine the view that commercial banks can successfully merge with securities firms to create great financial institutions, capable of competing on a global scale. And because it suggests that bankers are primarily concerned with the letter of the law rather than the spirit, it will lend fresh impetus to the growing influence of the big legal firms in the affairs of the City.

The report shows that County NatWest and Phillips & Drew were prepared to mislead their customers and the general public almost as a matter of routine. The inspectors were told that it was common practice to ignore Stock Exchange listing requirements, and at all times the practitioners appear to have been concerned only with the form rather than the substance of disclosure rules. The people to whom they were ultimately accountable – on the main board of NatWest – did not have enough grasp of the business to ask the right questions. At a vital moment, the inspectors observe, "none of the three executive directors had sufficient experience to examine critically what they were being told . . . Having raised one or two obvious points and having received some comfort in relation thereto, they accepted the position."

Legal preoccupation

The first reaction of senior executives to news of what had happened tended to be depressingly similar. Their immediate concern was not about the integrity of the bank or the well-being of its customers: it was about whether what had been done was legal. Admittedly, for most of the time they were kept ignorant of the full horrors. But given this preoccupation, it is extraordinary that so little was done to obtain comprehensive and properly documented legal opinions. This is in keeping with the general inefficiency with which the whole affair appears to have been handled.

The Bank of England acted promptly as soon it had the full details. But in the early stages, it too seems to have concentrated only on the prudential risks and legality of the position, and it seems too readily to have accepted the version of events that was being put to it.

County NatWest got into trouble because it was desperate to break into big-time merger and acquisition work, and was prepared to ignore the rules once things started to go wrong. It might have escaped exposure, but for the stock market crash. The likelihood is that other firms, squeezed half to death by the current lack of profits, will also be prepared to cut corners when under pressure. So what is to be done?

Tighter regime

Given that those most closely involved were prepared to go to extreme lengths in the hope that a recovery in the stock market might retrieve the position, it is not obvious that any radically different system of supervision would have led to a better outcome. But there is clear scope for tightening the existing regime. The inspectors have made several sensible proposals for modifying the Companies Act to toughen the disclosure provisions, and these should be implemented.

Two other changes are worth considering. NatWest's internal management proved to be inefficient in a number of respects. In particular, it failed to install a system capable of enabling it to perform its statutory duty to comply with the disclosure obligations of the Companies Act. A shortcoming like this might be made subject to penalties of a painful nature.

Second, it seems reasonable to argue that there is a public interest in the board membership of a large clearing bank – in particular, that there should be enough people on it who understand in some detail the workings of its main businesses. This is an area where it might be helpful for the Bank of England to take a more active interest. For a start, it could consider the future of the three NatWest main board directors who are specifically criticised in the inspectors' report.

India's crisis in Sri Lanka

INDIA IS the world's largest democracy. All its neighbours are very much smaller – some tiny – and India makes sure they remember it, not always in the most sensitive or peaceful of ways. Nowhere in the world are the sensitivities and tensions which arise in regional relations when one member is so overwhelmingly dominant more evident than in south Asia.

One crisis within the region is now threatening to disrupt the entire sub-continent and could yet precipitate the disintegration of the one valuable attempt at regional co-operation – the South Asia Association for Regional Co-operation (SAARC). The dispute between India and Sri Lanka over the future of India's peacekeeping force in the ethnically torn island is reaching dangerous proportions.

Both sides have made mistakes. Mr Rajiv Gandhi, India's Prime Minister, is learning the hard way that it is much easier to put troops into a weak and divided state, ostensibly to keep the peace, than it is to get them out again without leaving behind worse strife than ever. President Ranasinghe Premadasa of Sri Lanka, who has set a July 29 deadline for removing all 45,000 Indian troops from the island, is discovering that the folly of setting deadlines which cannot be enforced is that it produces simultaneous foreign policy and domestic political crises.

Ethnic violence

Indian troops were "invited" into Sri Lanka in August 1987 following the peace accord between Mr Gandhi and President Junius Jayawardene of Sri Lanka aimed at ending the ethnic violence between the island's Sinhalese majority and the Tamil minority. In return for Indian protection and the creation of a partially autonomous north-eastern province many – but not all – militant Tamils dropped their demands for an independent state.

A complicating factor is that Mr Premadasa, then Prime Minister, opposed the accord and promised to remove the Indian troops during his successful campaign to become President last year – overlooking the fact that neither he nor his armed forces are capable of evicting the Indians.

But a further development since 1987 has strengthened the argument that Mr Gandhi should keep his troops in place for the time being. A ruthless terror campaign by the JVP, an extremist Sinhalese group, has destabilised the Sinhala south of Sri Lanka. This is supposedly a nationalistic protest against concessions to Tamils and against Indian hegemony, but in reality it is more of a jingoistic attempt to take power by extra-parliamentary means. The Sri Lankan army and police have proved as incapable of containing this insurgency as they were of controlling Tamil separatist violence before the arrival of the Indian soldiers. The withdrawal of the Indians now would risk new ethnic clashes and perhaps a civil war culminating in the violent partition of Sri Lanka.

Indian elections

Mr Gandhi faces a difficult general election at home at the end of this year. He is not likely to risk taunts from rivals that he allowed himself to be pushed out of little Sri Lanka. Nor will he risk incurring the wrath of the 55m Tamils in the southern Indian state of Tamil Nadu by such a move. So he will certainly ignore next week's deadline from Mr Premadasa until he is certain that the security of the Sri Lankan Tamils is guaranteed.

But Mr Gandhi must look further ahead and not appear intransigent, especially if he is to avoid a full break in diplomatic relations and the possible disintegration of the SAARC. He should announce his own flexible timetable for partial troop withdrawals, which could be speeded up or slowed down according to the behaviour of both the Sinhalese and Tamil militants. If some semblance of safety and order started to return, it might be possible to consider replacing Indian troops with a small and less controversial international peacekeeping force, perhaps from other Commonwealth states, while time heals bitter and deep wounds. But that remains a distant hope for an island which only 20 years ago had the brightest prospects for economic development and is now threatened with economic and social ruin.

Quentin Peel examines the multiple crises threatening the ebullient Soviet leader

Mr Gorbachev's long, hot summer

Danger, glasnost at work: A Soviet miner presents his views forcibly at a rally in the Kuzbas coalfields

These are sunny days in Moscow, but the shadows are fast closing in on Mr Mikhail Gorbachev.

A quarter of a million angry miners and industrial workers have been besieging party and government offices from Siberia to the Ukraine, demanding a better deal from life and work. The proletariat is up in arms against its own government, although ostensibly in favour of Mr Gorbachev's policies.

In spite of a passionate personal plea from the Soviet leader on national television for calm and reason to ease boiling ethnic tensions, barely a week goes by without a new outbreak of race riots in Central Asia or the Trans-Caucasus.

If they are not race riots, then they are something ominously like food riots: violent protests against the miserable food supplies and living conditions in every part of the Soviet empire, taken out here on an ethnic minority, there on the fledgling private sector in so-called co-operative shops, or on whatever other target is closest to hand.

Along with all this, there is the ghastly coincidence of a string of tragic accidents to underline the creaking condition of the imperial machine, from the devastation of two passenger trains by a gas explosion on the Trans-Siberian railway to the repeated ignominy of Soviet nuclear submarines limping home on diesel power because of reactor failures.

Mr Gorbachev's long, hot summer has barely begun. Yet the irrepressible Soviet leader can still find the energy and self-confidence to launch a new purge of his ruling party's hugely powerful bureaucracy; to steal the thunder of the Group of Seven leading industrial nations' summit in Paris with his startling proposal to join in their act; and spend interminable hours chairing the stormy debates of his new parliament, even when it is axeing a swathe of Ministers from his new government.

For a while it seemed as if the upheavals were exclusively elsewhere: in Tiananmen Square, Warsaw and Budapest. Moscow was in the eye of the storm sweeping the Communist world, but curiously aloof from it all. No longer.

Three things have happened all at once. The first is that the desperation of the country's economic crisis has finally been brought home to its leadership, its people, and the outside world. No longer do the party propagandists seek to pretend it is a "pre-crisis situation." It is a full-blooded current crisis, and one that has already been there for a decade.

The second is that political debate has suddenly exploded on to the streets and squares across the nation, spurred on by the televised daily drama of the Congress of People's Deputies, airing all the pent-up grievances of generations. In spite of all the best efforts of the party bureaucrats to rig the result, it has gone on in the more sober assembly of the Supreme Soviet, the standing parliament, where once-docile camp-followers have suddenly discovered the ability to criticise.

The third is that Mr Gorbachev has finally put his finger on the single greatest obstacle to faster reform: his very own Communist Party. And he has chosen this moment to tackle the rigid structure of the organisation which put him in power.

What hope has he got of keeping the whole turmoil – social, political, ethnic and economic – under any semblance of control?

It was always distressing to contemplate how many problems the Soviet leader insisted on tackling simultaneously.

There was a chronically inefficient bureaucracy, riddled with nepotism and corruption, hopelessly centralised and incapable of local initiative without orders on the telephone from headquarters.

There was an infrastructure of roads, railways, gas and oil pipelines and telecommunications, much of it close to the end of its useful life and incapable of coping with the demands of modern traffic.

The great drive for quantity, not quality, had exhausted most of the easy sources of the country's wealth of raw materials, leaving the future reserves of oil, gas, minerals and timber ever more difficult to extract from the wastes of Siberia.

No alternative leader is in sight. Nobody wants to share the poisoned chalice

The blind hand of a centralised empire had also ignored for years the local environmental consequences of its decisions, causing ferocious opposition among ordinary people to industrialisation of all kinds – a popular reaction which is an important part of the political mood against the ruling party. Combined with the carelessness that caused the Chernobyl nuclear catastrophe, it has aroused a resistance to nuclear power which makes energy planning for the next century an insoluble riddle.

The crisis in agriculture, ruined by the blind collectivisation of the Stalin era, is far more profound than a mere green revolution can cope with. Mr Gorbachev's urgent efforts to create a new land-owning peasantry are being continuously thwarted by the combined forces of an unwilling bureaucracy, and a rural population which has lost all inclination to take up the challenge.

The chronic shortages, not just of food but of many basic consumer goods, have been aggravated by a surplus of money pumped into the economy by an increasingly desperate central authority. Where massive efforts to boost output have succeeded – with colour televisions, for example – the shelves are emptier than they ever were, because demand has soared. Glasnost has not helped, because TV is much more worth watching than it ever was.

Quite apart from a creaking planning machine, the authorities are *lumbered with a price structure* which bears no relation to costs. It gives no signals of scarcity, of social *priority, or of intrinsic value. The* result is that state prices are kept absurdly low, and any hopes of price reform are repeatedly delayed because of terror at the social consequences, while private sector prices are absurdly high, arousing great popular resentment.

As for efforts to open up the Soviet economy to competition from the international economy, they are doomed to a tortoise pace by a currency that is likely to remain unconvertible for another decade. The Soviet economy cannot hope to open its doors until it has brought its prices at least within shouting distance of the world market, and until it has created an export industry which can begin to stand on its own feet.

All this amounts, of course, to the crippling inheritance which Mr Gorbachev took over in the dim days of 1985. Worse, indeed, for the true scale of the problem was lied about so much that still only a few people have begun to recognise how bad it is. The sudden admissions of crisis now give the impression that perestroika has made it far worse.

Take crime, for example. In the last few months alone all the crime statistics are soaring. Street crime is up 82 per cent, they say. Theft and robbery is up by a third. But two things make the comparisons meaningless. All the base figures are a nonsense, because the statistics were doctored for years. And a blitz on corruption and incompetence in the militia has much improved public confidence: crimes are now being reported where before no one would have bothered.

No longer is Moscow curiously aloof from the storms sweeping through the Communist world

Crime is undoubtedly up, but by nothing like as much as the merchants of gloom would have people believe.

Mr Gorbachev's glasnost has done two things. On the one hand, it has made the reform process at least partly irreversible. No one can dream of going back to the full horrors of Stalinist repression, or even Brezhnevite stagnation, now the truth is out.

But on the other, glasnost does make the problems seem even worse than they may be, inspiring the current mood of almost Dostoievskian despair.

Can Mr Gorbachev use the sheer scale of the crisis to galvanise reforming zeal, not halt it?

That is what he is trying to do with the miners' strike. The angry men of the Kuzbas and the Donbas, the two great coalfields of Siberia and the Ukraine, are fighting for perestroika from below, he says. It is the sheer inertia of the local and national bureaucracy – of both party and state – which is under attack. The miners are demanding more local initiative, decentralisation of power, and big cuts in the bureaucracy. Perhaps naively, they believe they will have more money to spend on decent living conditions, not less, if they control all their own profits and losses.

Mr Gorbachev is also using the seething popular debate to attack the Communist Party structure. He has finally admitted for all to hear that the party is not in the vanguard of perestroika, but is trailing along in the rear, "chewing stale gum." His party leaders know it is true, because they have seen the election results. They have forced their leader to postpone the next round – the vote for republican and local governments – until next spring, in the faint hope of regaining some popular authority.

"He has got to leap over the Kremlin walls – from the inside – to storm the Kremlin with popular support," one leading party official said as the Congress of Deputies began. Mr Gorbachev has left it almost four months to ram that lesson home and order new elections in the party ranks next month. Whether the party can reform itself and take the lesson of the elections to heart has yet to be seen.

Somehow this week Mr Gorbachev has also found another Rs10bn (officially £9.8bn) in his exhausted kitty to spend on importing consumer goods. Where it has come from no one yet knows. When Mr Nikolai Ryzhkov, the Prime Minister, added up the figures last month, it was obvious there was nothing to spare, and the Soviet Union would have to borrow more just to service its $40bn-plus (£24.7bn) foreign debt.

That could just buy time – and temporarily narrow the Rs100bn budget deficit, thanks to the huge mark-up the authorities can charge on any imported goods. But on any objective assessment, Mr Gorbachev has nothing more to offer his restive electorate than a decade at least of blood, sweat and tears.

If it provides his supporters with any reassurance, there is certainly no alternative leader in sight. Nobody wants to share the poisoned chalice. Nobody has any better ideas about how to put the economy right, even if many may feel Mr Gorbachev has gone much too far in allowing the criticism to come into the open.

It still seems the best explanation that the power behind the throne, the KGB, actually put Mr Gorbachev where he is. What better organisation than the state security service, after all, to recognise first just how urgently reform was needed to catch up with the outside world?

The military, too, must have realised how hopeless the arms race had become.

Mr Gorbachev's request to join the international economic debate with the West's G7 summit nations has a decidedly hollow ring, since he can bring so little to the table. With every passing month, however, it looks more likely that the G7 could have a role to play in the Soviet Union. Without a concerted international response to the ills of the Soviet economy, the country could become a chronic source of instability for the rest of the world community, as the Soviet empire starts to fall apart.

OBSERVER

All about cognac

■ Jacques Hine thinks that you should not really drink cognac out of balloons, but rather out of glasses shaped more like tulips. He says that the balloon-shaped glass produces a sudden rush of fumes to the head, which is not really what cognac drinking is about. But he does not press the point because the balloon has become part of a tradition, even though his own company orders specially produced tulip glasses.

The tulips are always better for cognac tasting or "nosing", as it is more properly called.

Hine has been travelling round Britain this week, gently promoting sales. Nothing vulgar like selling in supermarkets, or even giving away figures. Everything to do with Hine, he says, is about quality, not quantity.

The origins of the firm are English. A 16-year-old from Dorset called Thomas Hine went on an exchange visit to Jarnac around the time of the French Revolution, was unable easily to get back because of the subsequent events so stayed and set up the company.

Jacques Hine and his brother Bernard belong to the sixth generation, although the firm is now owned by LVMH Moët Hennessy, Louis Vuitton. "It was a sad day in 1971," Jacques says, "when our father took us into the cellars and told us that the company had to be sold." But he claims that belonging to a large group in essential for distribution. Everything about the cognac remains the same.

Jacques suggests that armagnac might have become just as much in demand as cognac, if the armagnac-growing area had better river communications. He says – new to me – never keep cognac in an opened bottle for more than six months. Cognac reaches its peak in cask at between 40-45 years. A current fashion encouraged by the Bristol Brandy Company, which Hine supplies, is to buy early-landed cognac in cask and then lay it down for someone's 21st birthday or wedding day.

The 1980s have been a good decade for cognac, except for 1987, says Hine. The present year looks good as well, though some rain is needed now.

Howe now

■ Sir Geoffrey Howe needs a holiday. The Foreign Secretary gave a prepared speech to the Radical Society – a group that centres round Norman Tebbit in London on Wednesday evening. There was a distinguished, if not especially large, audience, including Lord Joseph, the architect of modern radical Toryism. It was a stifling, jackets-off occasion in what used to be the Ladies' dining room of the Athenaeum. Sir Geoffrey spoke for one minute short of an hour. Apart from a few witticisms at the start about the definition of radical being a subjective one, he said nothing new and nothing very well. Some people left before he had finished. This is not the Geoffrey Howe we used to know. He should take a rest before he is rested.

Over the moon

■ Rather a good exhibition opens at the Science Museum in Kensington today to mark the 20th anniversary of the first walk on the moon. Much of the equipment is there, as well the obligatory piece of moon rock. Yet the most memorable feature is surely the voice of John F Kennedy, heard on a video which chronicles the early space programme. Hard now to recall that the US once had a President so young, so confident and so charismatic. Kennedy

"She loves me, she loves me not"

went out of fashion shortly after he was assassinated, and perhaps he achieved very little except to show the limits of American power. But, like Churchill's, the voice and the phrases will always set him apart.

The exhibition is partly backed by Omega, which produced the chronometers that helped to keep the astronauts on schedule and – especially – Saturn V rocket and its crew safely back to earth when its communications with Cape Canaveral were disrupted.

Omega had an agreement with the US space agency, NASA, from the start. It has just signed a similar one with the Soviet equivalent, NPO Energija.

London walks

■ It takes about an hour and a half to walk from the south side of Southwark Bridge to around Notting Hill Gate. It is not an unpleasant trek if the weather is good. You walk along the south side of the river, cross Westminster Bridge, then cut through some of the best of London's parks, scarcely a traffic jam in sight. Yet there is some curious urge to time yourself and play around with numbers. The figure that sticks in my head is that it takes only twice as long to walk home as to use public transport when it is running. That must be a comment on the transport system in central London.

New entrants

■ The International Who's Who is beginning to learn the lesson that the domestic version has not, and cover a few more businessmen. The 1989-90 edition, published yesterday, includes Alan Bond for the first time – leisure interest: yachting. Another yachtsman, also making his debut, is Peter de Savary, who lists riding and carriage driving as well as sailing.

Other new entrants are Lord Hanson and Sir Ralph Halpern, neither of whom list any leisure interests at all. Frank (actually Fransisco) Lorenzo, the US airline executive, falls into the same category. On the other hand, Sir Gordon Borrie, the Director-General of the Office of Fair Trading, positively shines in his first outing. His interests are gastronomy, piano-playing and travel.

Peter Palumbo, described as a British property developer and also new to the book, lists music, travel, gardening and reading. Paddy Ashdown, definitely not a businessman but still a new entrant as a British politician, has walking, gardening and wine-making. Interesting to learn that his other names are Jeremy John Durham. "Paddy" comes only in brackets.

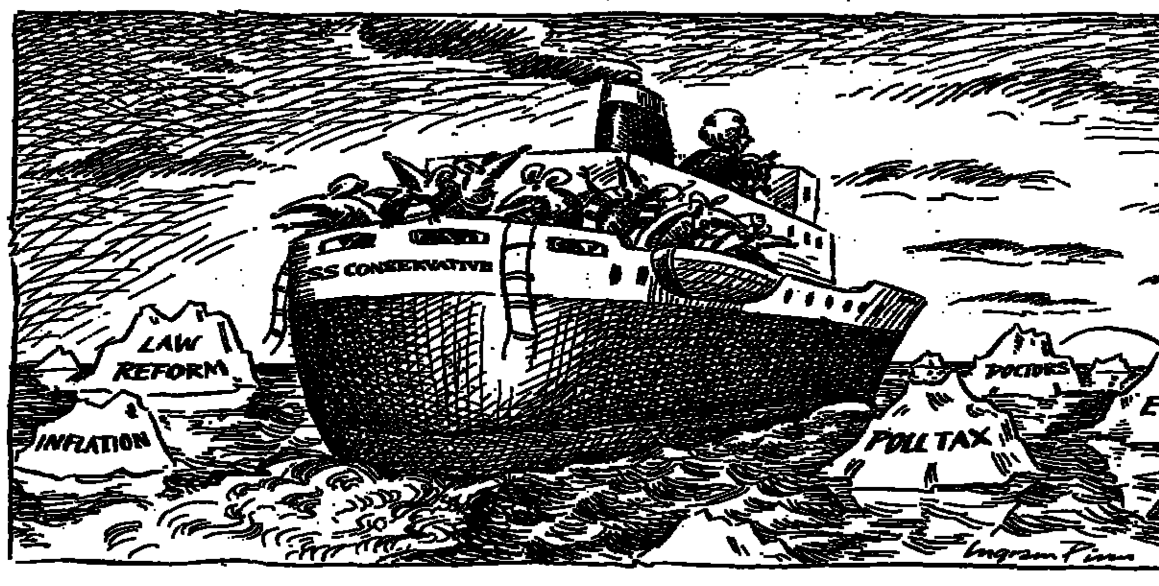
Frank talking

■ What did the first Soviet and American astronauts say to each other when they met in space? "Now we can speak German."

POLITICS TODAY

Panic below but not on the bridge

By Joe Rogaly



The London stock market is quite right. The Labour Party is still almost certain to lose the next general election, whether it comes in 1991 or 1992. If the markets thought differently the FT Ordinary index would hardly stand but a whisper away from its all-time high of July 16, 1987 – a figure reached in the euphoric aftermath of the Conservatives' third election victory in a row.

This is not to say that there is always a direct correlation between the political fortunes of the party of capitalism and the performance of share indices. The merest glance at the historical record proves otherwise. It is also true that the principal determinants of market behaviour are not political at all. (I think what happens is that brokers are moved by the previous night's closing Wall Street prices, plus a combination of psychology and futurology into which has been stirred a dash of economics and a soupçon of research on the basics.)

There is, however, a definite tendency for prices to be marked down when there is a general sense that Labour is about to be returned to power. This marking-down may yet occur, especially if the Government's present difficulties are not overcome. In that circumstance the markets could contribute to a fall in the Government's political standing, which would in turn drive the markets down, which would in turn hit the Government, etc. The important point for the moment is that such a downward spiral is not even in sight.

The reason is clear. The Government is not losing its nerve. This may seem an unlikely story to those who witnessed the extraordinary scenes in the House of Commons on Wednesday, when the rump of the Conservative Party displayed an unseemly sense of panic. Tory backbenches are not, however, the Government. Their fever on Wednesday was occasioned by a sense of fear that a great many of them might lose their seats if the poll tax disenchants their constituents. The hope was that this might be avoided by the production of a huge bribe by the relevant minister, Mr Nicholas Ridley. That would have subsidised the poll tax in poor – that is, Labour – areas without adding to it in better-off – that is, Conservative – areas. Taxpayers as a whole would pay the difference.

What Mr Ridley did was produce a small bribe, which may go about halfway towards achieving the required political effect. This was presumably the most that the Prime Minister is willing to spend, for the moment at least. If the pressure keeps up, and becomes irresistible, another tranche will be forthcoming.

Keeping her nerve is what Mrs Thatcher is especially good at. She does it best in adverse circumstances. She may trim a little here or there, as in the half-a-loaf bribe on the poll tax. She may hold her fire for better times, as in the settlements made in the years before she took on the National Union of Mineworkers. She may even execute a complete U-turn, as she tends to do at one minute to midnight in negotiations with the European Community – although she prefers to keep such unseemly gyrations private. These are mere details. Not panicking, or at least not being seen to panic, remains her outstanding trademark.

This is still in place. Consider the events of the past few weeks. The whole Government was upset by the Conservatives' abysmal performance in the elections to the European Parliament. No governing party likes to fall behind the opposition in the opinion polls. There is a growing realisation that Mr Neil Kinnock has turned out to be an effective reformist leader of the Labour Party, even though he is not held in high regard as a potential election winner. In consequence, no one currently expects the Tories' present majority of 100-plus to be maintained next time; the question is whether it will be in the low or the high tens. In other times, under other leadership, this excess of bad news might have led to a sudden change of direction.

Not in Mrs Thatcher's times. As the annual expenditure round moves towards its late-summer high gear there is no sign that the Conservatives' election war-chest will be opened, and that a billion or three here, a billion or three there will be added to the various social budgets. There may be some slight relaxation on, say the National Health Service, but the overriding desire of all Treasury ministers, especially the First Lord of the Treasury, is that the curve showing public expenditure as a proportion of gross domestic product should be kept pointing gently downwards. This is what the Prime Minister means when she talks of "sound" money. If her Government ever does let that curve take a definite upwards direction it will be a sign of real panic – and one the markets could pick up within minutes.

Again, there is little evidence of panic at the top when it comes to the rest of the Government's current policies. No outsider really knows what takes place at Cabinet meetings, but the best that I have been able to glean is that there is a sense that, while things are difficult at present, the outcome of the next election is not thought to be in serious doubt. The Prime Minister was in fine fettle at yesterday's review of the present situation, enjoying, as usual, the need to overcome difficulties. She is aware of the differences in style and presentation that are required in what is widely acknowledged to be the start of a long pre-election period, although she will not easily acknowledge that she herself needs to change. Thus some of her colleagues believe that on the EC she knows she needs to stick to the tact and persuasion she used at the recent Madrid meeting of the 12 rather than the bombast of her Bruges speech – although, as one colleague says, "she won't admit it."

There are other modifications, none of them, so far, sufficient to be described as a collapse under pressure. (the cave-in to the brewing industry last week is an unworthy exception.) The proposals for the reform of the legal profession have been altered since they were first put forward in a green – that is discussion – paper, but their broad thrust remains, in spite of the strong opposition of the judges and barristers. The present intention is that, in spite of the skilful campaign of opposition conducted by the doctors, the proposed reforms of the NHS will be implemented, although to what extent, and how soon, remains in doubt. If there is a retreat on the privatisation of either water or electricity it will have been forced, by either the markets or the EC. So far the Government has been able to limit its concessions on these ill-starred privatisations to tactical changes.

This thesis could be proved wrong during the very next few days. A Cabinet reshuffle is widely regarded as imminent. The old cliché about a "night of the long knives," referring back to a famous panic reshuffle by Harold Macmillan, is being kept at the ready by practically everyone in politics. If Mrs Thatcher were to remove one of the Big Three senior Cabinet ministers – the Home Secretary, the Foreign Secretary or the Chancellor – or, worse, two of them, then that plus a plethora of other changes might well be so described. If she moves her Environment Secretary after this week's kerfuffle on the poll tax, there might be a widespread misinterpretation of that change as a loss of prime ministerial nerve, even though Mr Ridley's unwillingness to attempt the arts of gentle persuasion of the voters has been evident for some time.

What is now thought to be likely is an extensive series of changes. If Lord Young leaves Trade and Industry and the Government, a couple of others (Paul Channon ? John Wakeham?) are retired, Mr Ridley is moved sideways and Mr Kenneth Baker is moved from Education Secretary to, say, the party chairmanship, that will leave plenty of space for a general change-round. At the lower levels two or three junior ministers are thought to be ready to call it quits (one is said to have cleared his desk on Wednesday night), while others may be invited to do so. This would give the Prime Minister room for manoeuvre. She should be able to balance the party ticket, partly by putting some of the right-inclined MPs who entered parliament in 1983 on to the first rungs of the ladder.

Such a package would not in my view constitute evidence that the Government has lost its nerve. It would be the proper package for halfway through a parliamentary term, when the focus of all administrations naturally shifts to the overriding wish to be returned to office. Before the recent collapse of support for the Tories became evident it was thought that a large-scale reshuffle might be postponed until next year; to the extent that it is brought forward to this year one may deduce that there is a fair degree of worry about the effort needed to put the party back on the rails. But that is all.

There is also a slight change, for the worse, on the opposition side. At the beginning of the week the National Union of Railwaymen rejected the British Railways' pay offer of an 8.8 per cent increase, even though BR's board had been beaten to its knees on both the offer and its failed attempts to attach conditions to its implementation. Until then public sympathy for the railwaymen acted as a filter against any connection of the strike with the Labour Party. Mr Kinnock should have seen, on Tuesday morning, that his job was to call on the NUR to go back to work. His failure do do so gave Mrs Thatcher the opportunity to cry that Labour remained in hock to the trade unions. It is the kind of remark that hits home hard and makes Labour's chances of winning the middle-ground that much more difficult.

Labour deserved her taunt; she deserved the injection of adrenalin and renewed self-confidence she plainly got out of making it.

LOMBARD

When Greens go too far

By Tim Dickson

EUROPE'S GREEN movement, long a lone voice in the disappearing wilderness, reaped a rich reward in the recent European election campaign. More's the pity therefore that the seemingly unstoppable tide of environmental concern looks like swamping proper and well-informed debate on an issue which many in Brussels feel is among the most crucial if controversial facing the EC.

That might seem an exaggerated description of the fuss being created by bovine somatotropin (BST) – a new and highly potent growth hormone which can boost the milk yield of a cow by 20-30 per cent.

What is at stake, however, has major implications for Europe's biotechnology industries, touches the basic principles of EC trade policy, and will almost certainly influence public attitudes to scientific research.

The question now is whether the EC will licence BST or whether the Community will ultimately accede to pressures for a ban, currently being urged by Green and consumer groups on grounds ranging from food safety and animal welfare to the perceived threat the new substance poses to the small, family farm.

In many ways the arguments deployed on both sides are a rerun of the bitter political and scientific row sparked off over growth hormones in beef – a debate latterly obscured within the EC by a highly publicised trade war with the US, whose efforts to challenge the EC's ban were somewhat mischievously if effectively depicted in Brussels as interfering with the EC's democratic will.

The charge which can be levelled against the Greens and their consumer allies is that they are fighting an emotional battle on arguments which go beyond the normal "objective" criteria of safety, quality and efficacy.

Volumes have been written about the key safety aspect of BST (for animals as well as humans) but suffice it to say that while some tests are not yet complete – for example covering the long-term effects on the lifespan of a cow – there is no evidence to suggest that BST is injurious to health. The best argument that can be mustered – surely true of all new scientific developments – is that you can never be 100 per cent sure. The point being missed is that any other basis for banning BST is highly contentious, a slippery slope that could quickly lead the EC into serious trouble.

The public has every right to be watchful and sceptical, with memories of thalidomide still fresh in the mind and sex change associations still vivid after the scandal of diethyl stilboestrol pellet implants in chickens in the 1950s. But BST – an artificial form of something secreted naturally by the animal – is not a steroid hormone and is thus different from the many other anabolic agents which were used in the past as growth promoters.

Consumers have a democratic right to reject something if they do not like it, but surely not if they have been misinformed and unduly alarmed. With BST administered by injection (if taken orally it is digested and broken down) animal welfare considerations have also been raised. Injection in itself is not generally thought to be cruel. If the prospect of animal stress were taken into account why stop with BST? Why not challenge the experiments currently being conducted with superior genetical techniques to breed the so-called supercow?

The same goes for those alarmed by the impact on small farmers and the huge boost to productivity which BST threatens to provide. If this substance is banned, scientists will quickly find another (and another), while new seed varieties are creating exactly the same challenge in the cereals sector. No one seriously suggests that we should halt that sort of development.

Two final complications for the European Commission, which is likely next week to delay a decision for 18 months to two years. With some eastern bloc countries using BST and the go-ahead likely in the US by the end of the year, will the EC ban dairy imports from these regions? And if the rest of the world produces cheaper milk with the help of BST, what cost the disposal of Europe's more expensive production on world markets?

LETTERS

The legal changes and judges' powers

From Mr A.H. Hermann.

Sir, You are probably right in saying that the Government's white paper aims at creating an environment which would push the legal profession towards greater competition ("Lord Mackay holds firm," July 20).

But you seem unduly optimistic that the powers it proposes to give to the four top judges will not frustrate such development in the foreseeable future.

If, for example, they insist that the advocates should not be involved in the preparation of the case for trial, this could effectively perpetuate the present costly involvement of two lawyers (at least) in each case. The fact that both of them may be solicitors would make little difference to those seeking justice.

To rely on a judicial review of the top judges' decision by their junior brethren seems unrealistic – at least as long as the composition of the judiciary is not radically altered.

For the same reason, any decisions made by the proposed new competition enforcement authority, if unpalatable to the Bar, are likely to have a hard time in the Restrictive Practices Court or in the Queen's Bench on application for judicial review.

So much will depend on the speed with which a new generation of judges drawn from ranks of solicitors will be installed on the bench. That this will not be very great is illustrated by the fate of Lord Mackay's efforts so far to have a greater number of solicitors appointed as crown court registrars, as present rules allow. When the Law Society inquired about the fate of the nominations it had been invited to make six months earlier, it was told by the Lord Chancellor's officials: "Oh, such appointments take years to decide."

Some hope for those now denied access to justice by the high cost and ritual of High Court proceedings can be derived from Lord Mackay's declared intention to shift the bulk of High Court business down to the county courts, where solicitors can appear without barristers.

However, although in the long run obsolete practices are unlikely to survive the pressure of domestic needs and of international competition, a complacent attitude can only delay such necessary reform.

A.H. Hermann,
14 Fawley Road, NW6

Richmond Oil offer

From Mr David I. Heather.

Sir, On the Richmond Oil & Gas offer, you refer (July 11) to the purchase price paid for the properties and the independent evaluation completed by the Scotia Group.

The price paid for these properties represents only a fraction of the total consideration received by the sellers in the event that such properties are developed in accordance with the activity plan included in the Richmond prospectus.

First, let me explain what happens when privately owned mineral rights such as Richmond's are exploited in the US. The exploitation company agrees on some form of lease rental and bonus for a limited right to exploit such minerals. The purchase also has attached to it a royalty and, in some cases, other beneficial interests which will be paid to the mineral rights owner and agents (sellers) in the event that exploitation is successful.

In the case of all properties evaluated by Scotia for Richmond, royalties and other burdens were considered in the economic evaluation. With specific regard to the Panhandle Fields, as clearly stated in the Scotia report, a 100 per cent working interest and a 77 per cent net revenue interest were applied; the difference, 23 per cent, represents a royalty to the sellers.

In the case of our proved evaluation of these properties, this royalty, undiscounted, amounted to \$60.5m to the sellers, this being in addition to the \$2m initial acreage purchase price. The sellers are not required to put up any capital nor incur any operating costs in the development and operations of the properties, and can therefore enjoy a substantial return for no capital outlay.

Any comparison between the initial acreage purchase price and our evaluation would be misleading and inappropriate. The Scotia Group routinely completes independent evaluations for oil and gas properties for buyers, sellers, and lenders. Such evaluations are based on the merits of the properties themselves.

David Heather,
The Scotia Group,
2 Energy Square, Suite 910,
4949 Greenville Avenue,
Dallas,
Texas 75206, USA

Architecture under scrutiny

From Mr J.G. Links.

Sir, Stephen Bayley's personal attack on Colin Amery ("Designed for open minds," Letters, July 12) misuses words so wildly that apparently no one better qualified than I am has thought it necessary to come to your architectural correspondent's defence.

"It would be foolish to expect a sensitive review . . ." writes Mr Bayley, of one whose sensitivity has again and again led his uninformed readers to an appreciation of buildings in a world which, without Mr Amery's guidance, does indeed seem hostile.

"It would be naive to expect generous comment . . ." But the times when Colin Amery's judgment fails are too often those when his generosity takes over, and he allows himself momentarily to be persuaded that "design" is a secret art, penetrable only by those who have been "educated" by the experts.

Who can fail to feel at odds with a world in which "wireless" is an emotive word, even when used to describe that very object, and that "the cause of popular education" is in the hands of the likes of those who regard a preference for not driving a car as "arch" rather than avant garde?

J.G. Links,
8 Elizabeth Close, W9

Council services put out to tender

From Mr Michael Ivens.

Sir, You report a survey by the GMB trade union (July 14) as showing that most council services put out to tender are being won by direct labour organisations.

These figures should not be swallowed without bearing the following in mind: many local authorities sabotage tendering by putting out enormously unwieldy tender documents. The Department of the Environment should standardise tendering forms.

Private companies are swamped when local authorities put out a large number of tenders at the same time. The answer here is some staggering of tenders.

Amortisation of redundancy is spread over three years, making private tenders high. This should be spread over a longer period – say five years.

Michael Ivens,
Director, Aims of Industry,
40 Doughty Street, WC1

'Paper money systems need an anchor'

Dr P Q Collins.

Sir, Michael Prowse asks the question: "If Keynes did not advocate Keynsian demand management, what was his message?" and reviews Allan Meltzer's interesting answer (13 July).

It is not the only answer. Keynes was also an advocate of currency convertibility based on commodities, under which market forces preserve the real value of the currency by causing a counter-cyclical variation in the money supply.

This desirable mechanism, which was one of the features of the gold standard most admired by the classical economists, would be particularly valuable today. Relying solely on interest rates does unnecessary damage to the economy.

As the winds of economic fashion swing back to fixed exchange rates, we must remember that no system of paper money, however interlinked, has ever preserved its real value without an "anchor" – which in practice can come only from real currency convertibility.

Patrick Collins,
The Management School,
Imperial College,
53 Prince's Gate,
Exhibition Road, SW7

FINANCIAL TIMES
Friday July 21 1989

Solidarity's captains ride to rescue of the General

By Christopher Bobinski in Warsaw

SOLIDARITY'S parliamentary representatives yesterday confronted the fact that it had been the votes of some of their leaders which had decided that General Wojciech Jaruzelski would be Poland's President for the next six years.

A post-mortem was held in the parliament building by the group of more 250 representatives on the morning after Gen Jaruzelski scraped in by one vote. It exposed the fact that the group, whether in government or opposition, is fated to work with the Communist establishment or risk losing the chance of a gradual evolution towards a full parliamentary system.

The Deputies and Senators who only last month stood for parliament convinced that they were going to be functioning as a full-blown opposition, yesterday began to realise that their leaders are bound by the round-table accords agreed in the spring which foresee their support for the present party leadership.

Yesterday, they met after a night spent discussing the previous evening's election in which the General had received 270 votes, including one from an 80-year-old Solidarity Senator from Suwalki, Mr Stanislaw Barnatowicz – just enough for the 50 per cent plus one of the valid votes he needed.

Mr Andrzej Wielowiejski, a Solidarity parliamentary leader, explained that when he and a few colleagues realised that the General might not get through because too many of the establishment Peasant Party were going to vote against, they decided to cast invalid votes and thereby save him. This, he argued, had been the lesser of two evils for if Gen Jaruzelski had not been elected yesterday the present leadership's alternative candidate, General Czeslaw Kiszczak, would have stood even less of a chance.

His failure would have led to a political crisis which could have ended in chaos. Indeed, on Wednesday evening Gen Jaruzelski was saved by seven Solidarity Deputies casting invalid votes.

They included Mr Witold Trzeciakowski, the movement's chief economic expert, and four others who said openly they would not take part in the vote.

The action by the Solidarity 11, however, left dissenters from the establishment parties who voted against the General out on a limb. These were one from the Communist Party, 19 from the 76 Peasant party Deputies and seven from the 27-strong Democratic party. After the vote, they were furious at Solidarity for letting them take the risk of voting against and then conspiring to scotch their attempt to topple the General.

But the Solidarity debate yesterday did not turn into a full revolt, although one Deputy, Mr Richard Brzuzy, a miner from Belchatow, did resign from the parliamentary group as a result.

The relative calm of the proceedings was due to Mr Jacek Kuron, another leader, who declared that those who had saved Gen Jaruzelski had shown great bravery and that he, too, had wanted him to survive for the good of the country but had been afraid to defy his own supporters by voting for him.

Third Reich's shadow, Page 2
US reaction, Page 6

Japan's rulers braced for defeat

Sex and money scandals threaten the LDP, reports Stefan Wagstyl

JAPAN'S scandal-ridden Liberal Democratic Party is staring at defeat in Sunday's national elections.

The ruling party is likely to lose its majority in the upper house of the Diet (Parliament) for the first time since it was formed in 1955. The LDP would retain control of the Government through its majority in the lower house; but the management of parliamentary business would become much more difficult. Its showing in the polls, which was already low, has declined further since the election campaign opened two weeks ago. Two public opinion polls published yesterday had grim news for the LDP.

Half the 252 seats in the upper house are being contested. Of these 126, the LDP holds 69 and needs to retain 54 to keep its majority. Party officials have said privately that anything around 50 seats would be an acceptable result.

However, polls published in two leading newspapers, the Yomiuri and the Mainichi, both forecast that the LDP would keep only about 33 seats. The Mainichi added that the total might be as low as 28. Both forecast that the Japan Socialist Party, the leading opposition party, would at least double its total from 22 to 44 or more.

Such a result could force the LDP to try to strike a deal with one of the opposition parties, although the opposition is committed to maintaining an anti-LDP alliance, to keep the pressure on the ruling party in the hope of forcing it to call a general election.

The numbers are borne out by evidence from the stump. Miss Takako Doi, leader of the JSP, attracts large crowds wherever she goes. In Fukushima in northern Japan yesterday, 1,000 people gathered outside a department store to hear her speak. In nearby Koriyama there was a similar crowd. She was welcomed by spontaneous applause and women surging forward to try to shake her hand. A father picked up his son so he could catch a glimpse of Miss Doi.

Prime Minister Sosuke Uno on the campaign trail in his home prefecture of Shiga, south-west of Tokyo this week.

LDP leaders have looked impressive on television in stage-managed rallies of loyal supporters in conference halls. But most of them are so tainted by scandal that they have been urged by campaign managers to stay away from public meetings.

Consequently the handful of clean men in the LDP's top ranks have had to work night and day to maintain its credibility as a national party. None has battled harder than Mr Ryutaro Hashimoto, the 53-year-old secretary general. He has appeared almost nightly on television to beat the drum for the party.

Widely regarded as a potential prime minister, Mr Hashimoto is one of the few LDP politicians who have enhanced their political reputations during the crisis caused by the Recruit scandal.

He was pushed into the front-line by the successive resignations of other leaders, including Mr Noboru Takeshita and Mr Yasuhiro Nakasone, the former prime ministers, and Mr Shintaro Abe, the former secretary general.

But even Mr Hashimoto has had trouble winning hearts and votes on the campaign trail. In Kawasaki and Yokohama last week, his biggest crowd was less than 500 – half Miss Doi's in Fukushima, which is a much smaller city. Applause for Mr Hashimoto was polite, much of it coming from LDP party members in the crowd. There was none of the exuberance which met Miss Doi.

The LDP started the poll with great disadvantages: the Recruit scandal; the sex scandal involving Mr Sousuke Uno, the Prime Minister, and, above all, responsibility for introducing an unpopular consumption tax. Many women, in particular, were already determined to vote for Miss Doi. Nevertheless, the ruling party's standing, already low, has actually got worse during the campaign. It got off to a bad start when one minister declared that women were useless in politics – a suicidal attack on Miss Doi.

This was compounded by another minister joking that an unpopular consumption tax, which most voters want scrapped, should be increased from 3 per cent to 4 per cent to make it easier to calculate.

By comparison a gaffe by a JSP candidate had no perceptible effect. Mr Kijun Sakurai boarded the wrong bullet train by mistake and then ordered it to make an unscheduled stop. He was promptly disowned by Miss Doi.

More important, the opposition parties, particularly the JSP, quickly seized the initiative by making promises the voters wanted to hear, especially pledging to abolish the consumption tax. They stressed the need for political reform to control the flow of money into politics and also bid for the votes of farmers – traditional LDP supporters – by promising to maintain restrictions on agricultural imports, including rice. Interestingly, they have avoided making an issue of the Uno sex scandal.

The LDP has tried to point out that the opposition's policies are blatantly opportunistic. It has also attacked the parties' lack of experience in government. But the LDP has offered voters little which might meet their concrete demands: a promise to revise the consumption tax has been made, but has sounded weak in comparison with the opposition's abolition pledge. Vague promises of political reform have, similarly, won little support.

The LDP has done nothing to assuage the voters' anger. It seems to accept that defeat this time is inevitable. However, it is hoping that having vented their frustration in an election which cannot produce a change in government, voters, will, in a general election, come back to the fold. The danger for the ruling party is that the opposition parties, especially the JSP, may be generating a momentum of their own.

HK project a test of confidence for colony

By John Elliott in Hong Kong

HONG KONG'S two leading Chinese-born entrepreneurs, Mr Li Ka-Shing and Sir Y.K. Pao, are today submitting secret tenders for a prime development project. It will be a test of confidence in the UK colony's future after the Tiananmen Square massacre in Peking.

A total of between three and six bids of HK$2.7bn ($350m) or more are likely to be submitted for a government-owned plot in the central financial district.

The bids will be below figures in excess of HK$4bn which the Government had been hoping for earlier this year before the crisis in China.

The winner will not be announced for several weeks and it is not yet clear how soon firm figures will emerge publicly. Bids in excess of HK$3bn will be regarded as significant morale boosters; anything below could slow down a recent rally on the colony's stock market.

The expected absence of major foreign companies reflects serious international concern about the future viability of Hong Kong as an internationally important financial and business centre after it returns to Chinese sovereignty in 1997.

Hong Kong's two major British-owned trading companies, Swire and Jardine Matheson, are believed to have stayed out of the race. At least two companies from Japan and one from Taiwan have also withdrawn.

The 92,000-sq ft site lies behind the new 72-storey Bank of China. Presumably in deference to this building, which dominates Hong Kong island and is the highest structure in the region, the Government has placed a height restriction of about 14 storeys lower. The development will have a maximum floor area of 1.2m sq ft.

There will be some suspicion that Mr Li Ka-Shing and Sir Y.K. Pao have been persuaded to enter the race, partly in order to help boost confidence. The two are also competing for cable television and non-voice telecommunications licences.

Mr Li Ka Shing is bidding through his flagship Cheung Kong company, which controls his Hutchison Whampoa empire, and Sir Y.K. Pao through his Wharf group. Mr Li Ka Shing has a special interest because the site is adjacent to the Hilton Hotel which he owns.

The two sites could be linked by pedestrian bridges and provide an opportunity to relocate the ageing Hilton in new premises.

A bid is also being submitted by Sun Hung Kai, controlled by the Kwok family. Other Hong Kong Chinese companies thought to be interested include New World, controlled by Mr Cheng Yu-Tung, Sino Land headed by Mr Robert Ng, and possibly the Lau brothers.

Sun Hung Kai and Sino Land jointly won the last pace-making government land auction when they successfully bid HK$3.35bn in January for a 77,800sq ft plot near the north Wanchai waterfront.

THE LEX COLUMN

NatWest's day of reckoning

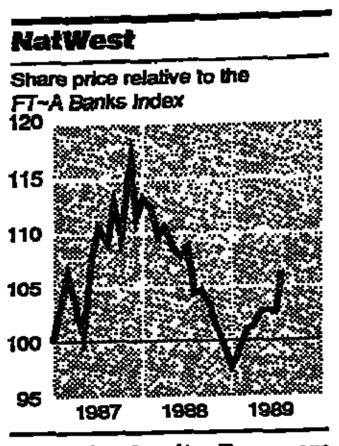
In its broad outlines, the report into County NatWest contains little which was not known or suspected already. But the picture it presents of the outer fringes of City practice is deplorable. The essential charge against County is that it sought a way round the law to evade the results of its own incompetence. But behind that is a depressing catalogue of lesser wrongdoing: misleading the Bank of England, misinforming NatWest directors, breaking Stock Exchange rules, share puffing and even back-dating of letters.

There is no question of County's misdemeanours being merely technical. It may have started out trying to help Blue Arrow, but was quickly in a position of trying to save itself. As the report insists, County was at an early stage faced with becoming very much Blue Arrow's biggest shareholder; and in seeking to deceive the market and rig the Blue Arrow share price, it was out to protect its own investment.

The broader question is how much of this kind of thing still goes on. County, after all, told the inspectors on several points that it was following common practice. In the curious half-world of the corporate deal-maker, it is not easy to be sure about that. In this case, the client, the parent board and even the in-house stockbroker were largely unaware of what was going on. The best defence, certainly, is the publication of cases like this one; no company wants an adviser which will land it in the headlines for the wrong reasons.

And what of NatWest itself? The report blames three of the bank's five executive directors, but in less severe terms than it does County's executives. The bank's three deputy chairmen are absolved. There is perhaps an inconsistency here: both the executive and non-executive directors failed to check what they were told. And in its own submission to the inspectors, NatWest described as "unacceptable" the late adding-in of shares, the use of market-maker's exemption and the indemnity to UBS. The executive directors knew of all three at an early stage.

For NatWest, the financial consequences of the affair are overshadowed by the impact on the perception of the group as a whole. It would be surprising if it did not face legal actions, but the sums at risk are small. It is well nigh impossible to calculate how much money investors lost through



County's deceit. Far more important is the effect on NatWest's corporate image. The senior management of one of the world's few triple-A rated banks has proved unequal to the job of handling one of the group's key strategies – the expansion into investment banking. The sad thing is that even if there are resignations, they will not make good the damage.

Markets

The news that Mr Greenspan does not want an "unnecessary and destructive" recession might seem barely worth reporting. However, stripped of all its central banker-speak the message from yesterday's testimony seems clear enough: the next move in US interest rates will be down, but it may not happen just yet. If the response of the bond market was muted, that was because it had been expecting further easing anyway.

Mr Greenspan's remarks at least distracted the UK debt markets from what might have been an unpleasant surprise in the UK banking numbers. The lumpy rise in M0 and in bank lending at first sight seemed at odds with the latest signals from the High Street, showing that spending is coming down at last. On closer inspection, yesterday's figures do not contradict that picture: the chief reason for the high total was heavy lending to the corporate sector. This no more than what one would expect at the top of the cycle. If sales are slowing faster than output, stocks must be rising, and they do not finance themselves.

British Telecom

The 3.2 per cent rise in British Telecom's average charges is well within the bounds of what is acceptable under the current pricing formula. But the speed with which BT is implementing the price increase underlines its need to halt the slowdown in the growth of its revenues. Call volume growth is slowing, Mercury is stealing market share and yesterday's increase in the wage offer to the BT workforce underlines the growing cost pressures facing the group.

Last year, the BT workforce settled for a 6.9 per cent increase, but it is far from clear that the latest 8.3 per cent offer will be sufficient. There is plenty of scope for cutting staff numbers, but this is unlikely to occur while the group is intent on improving the quality of its service. Meanwhile, Mercury's growing presence is curbing BT's ability to raise prices on the more profitable uncontrolled parts of its business. BT shareholders should know by now that their short-term interests are not BT's top priority, which explains why BT shares have underperformed the market by nearly a fifth so far this year.

GUS

As GUS's shareholders watch the value of less enticing break-up candidates soar while their holdings trail the market, they may wonder if they are getting full value out of the company. Hidden away inside GUS must be a wealth of assets both tangible and intangible that are simply not being recognised. The shares trade at barely the conservatively stated asset value, which takes no account of its brands nor its long and valuable list of mail order customers. With more than £300m in the bank and a wide spread of distinct businesses, GUS would in the natural course of things have attracted a bid by now.

The legitimate complaint is not that the company is bid-proof, as that was in the price from the outset. Neither is the management neglecting its business. Yesterday's figures show the usual steady progress and demonstrate that in moving towards property and banking – which now make up some 40 per cent of profits – GUS has been wiser than most of the other big retailers. Instead, the problem is that the company has neglected its share price, which these days every enlightened management should regard as a serious failing. The solution may not be simple; but abandoning the needless policy of keeping shareholders in the dark would be a good start.

NatWest censured over role in Blue Arrow affair

Continued from Page 1

at which the Companies Act requires disclosure. It also placed shares with UBS, Phillips & Drew's Swiss bank parent, under an indemnity arrangement which protected UBS against loss.

The inspectors' report says that County corporate finance executives, in particular Mr Nicholas Wells who was in charge of the Blue Arrow transaction, deliberately set out to circumvent the disclosure rules. He also misled his superiors, lied to the Bank of England and connived in misleading public pronouncements about the success of the issue.

Others who were severely criticised include Mr David Reed, the head of corporate finance at County, Mr Christopher Stainforth and Mr Martin Gibbs, of corporate finance at Phillips & Drew.

Criticism is also directed at Ms Elizabeth Brimelow, County's compliance officer, for insufficient attention to duty. This resulted in Ms Brimelow resigning yesterday from the Conduct of Business Rules Committee of The Securities Association, the securities industry regulatory body.

Lesser criticism is directed at three group executive directors of NatWest, Mr Charles Green, Mr Terry Green and Mr John Plastow, who allowed themselves to be misled by Mr Wells and Mr Reed.

Lord Boardman, Mr Tom Frost, NatWest group chief executive, Mr Charles Villiers, County's chairman, and Mr Jonathan Cohen, its chief executive, are exonerated on the grounds that they put faith – however misplaced – in their subordinates.

World Court rejects US claim on Italian takeover

By Laura Raun in The Hague

THE International Court of Justice yesterday rejected a US claim that Italy illegally "requisitioned" an American company's subsidiary and must pay more than $12.7m in compensation.

In a 4-1 decision the Court, commonly known as the World Court, ruled that Italy did not breach a 1948 treaty with the US when it requisitioned Elettronica Sicula in 1968.

The case is seen as the first test of US attitudes toward the Court since 1984 when Washington adamantly rejected court jurisdiction in Nicaragua's suit against the US.

The US argued that Italy should compensate Raytheon, owner of Elettronica Sicula, because takeover of the electronic components subsidiary violated a treaty of Friendship, Commerce and Navigation.

Italy argued that financially troubled Elettronica Sicula was requisitioned in order to avoid closure of the Palermo plant and the loss of hundreds of jobs. The US contended that government takeover prevented the company from "liquidating in an orderly fashion" and provoked bankruptcy.

Observers are watching to see whether yesterday's unfavourable ruling affects the US response to Iran's recent suit over the shooting down of an Iranian airliner by a US battleship in 1988.

Mr Abraham Sofaer, who argued the US case, said: "We accept the decision; it was well reasoned and reflects differences in establishing damages.

"I would not regard it as reflecting anything but the judgment in this case."

In the Iranian suit, the US has yet to appoint an agent and speculation is mounting over how it will react to Tehren's claim for compensation for the shooting down of the airliner.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	29	84	Dubrovnik	S	26	79	Malta	F	29	84	Rhodes	S	28	82
Algiers	S	33	91	Edinburgh	C	16	61	Manchester	F	25	77	Rio de J'o	F	26	78
Amsterdam	S	22	72	Faro	S	29	84	Manila	R	27	81	Roma	S	28	82
Athens	S	30	86	Florence	S	29	84	Melbourne	C	10	50	Salzburg	S	22	72
Bahrain	S	36	97	Frankfurt	S	23	73	Mexico City				San Francisco		–	–
Bangkok				Funchal	F	25	77	Miami	S	29	84	Seoul	R	28	82
Barcelona	S	28	82	Geneva	S	24	75	Milan	S	26	79	Singapore		–	–
Beirut		–	–	Gibraltar	S	28	82	Montreal	S	18	64	Stockholm	F	18	64
Belfast	F	25	77	Glasgow	C	20	68	Moscow	S	23	73	Strasbourg	S	25	77
Belgrade	F	22	72	Guernsey	S	24	75	Munich	S	22	72	Sydney	C	13	55
Berlin	C	17	63	Helsinki	F	18	64	Nairobi	C	19	66	Taipei	F	36	97
Biarritz	S	35	95	H. Kong	F	30	86	Naples	S	31	88	Tangier	S	34	93
Bombay	F	31	88	Innsbruck	S	24	75	Nassau	[illegible]	[illegible]	[illegible]	Tel Aviv	S	29	84
Bordeaux	[illegible]			Inverness	C	[illegible]		New Delhi		37	99	Tenerife	F	27	81
Brussels	S	24	75	Islamabad	F	38	100	New York	C	22	72	Tokyo		–	–
Budapest	S	22	72	Istanbul	S	25	77	Nice	F	27	81	Toronto	F	20	68
B. Aires	C	17	63	Jakarta				Nicosia	S	33	91	Tunis	F	33	91
Cairo	S	32	90	Jersey	F			Oporto	S	22	72	Valencia	S	32	90
Cape Town	S	19	66	Jo'burg	S	11	52	Oslo	C	30	86	Venice	C	25	77
Caracas	R	26	79	Lima		18	64	Paris	S	26	79	Vienna	S	22	72
Casablanca	T	26	79	Lisbon	S	27		Peking	[illegible]	[illegible]	[illegible]	Warsaw	R	13	55
Chicago	C	18	64	London	S	27	81	Prague	S	19	66	Washington	C	23	73
Cologne	S	23	73	Los Angeles	F	19	66	Reykjavik	C	12	54	Zurich	S	23	73
Copenhagen	S	18	64	Luxembourg	S	22	72								
Corfu	S	30	86	Madrid	S	35	95								
Dallas		–	–	Majorca	S	31	88								
Dublin	S	21	70	Malaga	F	30	86								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Unrest spreads in Soviet coalfields

Continued from Page 1

he believed the wholesale price rise "will be reflected in the prices of other industries."

However, he warned that individual coal mines would still not become profitable without further wholesale price increases of between 100 and 200 per cent.

Whatever the direct cost of the pay settlement and better conditions in the mines, the possible knock-on effect to other industrial workers in higher costs could be far greater.

Already many other industrial workers in the Kuzbas have joined the stoppage in support – 160 enterprises apart from the mines were said to be on strike. It is still in the balance whether others follow suit once the extent of the miners' apparent success becomes known.

Apart from the concessions at work, the Kuzbas region has been granted thousands of tonnes of extra supplies of shortage foods – including sugar, meat, condensed milk, tea and coffee – together with consumer goods such as soap and detergent.

The team of Government negotiators, headed by Politburo member Mr Nikolai Slyunkov, has also promised to provide the miners with a new health centre.

New strikes reported yesterday were in the Karaganda field in Kazakhstan, Vorkuta and Pechora in northern Siberia, the Dnepr fields of the Ukraine, and Rostov-on-Don.

The Coal Ministry is setting aside some Roubles 70m ($110m) for the pay rise, an agreement to pay a 40 per cent bonus on the basic rate for the night shift, and 20 per cent for the evening shift.

FINANCIAL TIMES
COMPANIES & MARKETS
Friday July 21 1989

INSIDE

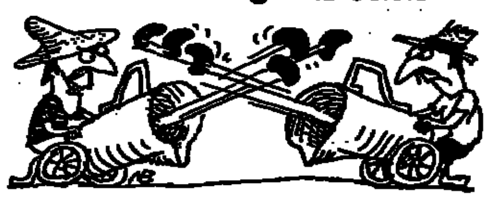
Bond cross-examined over Lonrho stake

Australian entrepreneur Mr Alan Bond (left) was *cross-examined* for more than four hours in the High Court in London yesterday about the purchase by companies under his control of a stake in Lonrho, the UK trading conglomerate. Lonrho is asking the court to freeze 114m of its shares held by Bond Interests, alleging that Bond did not give correct answers when Lonrho sought information about the ownership of the shares. Meanwhile, the Chilean offshoot of Mr Bond's corporate empire is adamant that it will retain its interest in CTC, the privatised telephone company, in the face of persistent speculation that the holding is up for sale. **Page 26**

Monetarism under fire

Canada's Progressive Conservative government is under intensifying pressure from all sides over its monetary policy. With interest rate differentials between Canada and the US approaching their widest levels since the Second World War, critics wonder why Canadian rates cannot move lower — especially when many of the country's economists see a recession looming. But Bank of Canada governor John Crow, backed by Finance Minister Michael Wilson, refuses to soften his tough line. **Page 28**

Brazil relishes fight to come



Brazilian coffee farmer Mr Jose Morales Agudo clearly relishes the price war that has broken out following the demise of the International Coffee Agreement. "Now it is war. We face five or six years of difficulties, but we will survive. We will destroy half our competitors and take over the market," he says. And, as John Barham reports, his attitude is shared by many of his countrymen. **Page 34**

Open to many interpretations

Shareholders regaining control over management, a palace revolution by the latest generation of the founding families or the final showdown of a deadlocked board of directors — the shake-up at the top of Société Générale de Surveillance (SGS) has more than one aspect to it. William Dullforce investigates events at the world's leading goods inspection and quality control group. **Page 24**

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises –			
Colonia Vers	780	+	14
Daimler-Benz	741	+	13
Karstadt	624.5	+	11.7
Leifheit	547	+	12
Falls			
Hochtief	755	–	9
Springer Vlg	520.5	–	9.5
NEW YORK ($)			
Rises			
Kerr-McGee	51⅜	+	1⅞
Michaels Stores	9¾	+	1¾
Philip Morris	148½	+	1½
Falls			
Mack Trucks	11½	–	½
Pennwalt	121¾	–	8¼
PARIS (FFr)			
Rises			
CFF	927	+	46.4

Fromage Bel	2080	+	70
SGE	265.2	+	10.3
Falls			
Eurot Bee	7.7	–	0.5
Eurotunnel	106.9	–	5.3
Metaleu DS	3.2	–	0.2
TOKYO (Yen)			
Rises			
Daikyo	3810	+	250
Kagetsuenkanko	1710	+	120
Shibaura Eng	1080	+	70
Falls			
Isetan	649	–	34
Mitsubishi Stl	2130	–	120
Toda Const	1430	–	70

New York prices at 12.30

LONDON (Pence)			
Rises			
Burmah	656	+	20
Costain	325	+	7
DRG	533	+	14
Guest	281	+	6
Heath (CE)	473	+	8
Haywood Wms	296	+	11
Laporte	461	+	7
Micro Focus	327	+	30
Morrison (W)	182	+	6
Myson	221	+	54
Randsworth	318	+	9
Rothmans 'B'	658	+	36
Smallshaw	120	+	27

THF	355	+	13
Falls			
Ang Sec Homes	200	–	11
Britannic	471	–	17
Brunning	140	–	8
Cray Elec	140	–	18
Eurotunnel Wts	71½	–	8
Lucas	654	–	18
Nat West	315½	–	10½
Securicor 'A'	648	–	20
Sun Life	1853	–	20
Taylor Woodrow	320	–	8

Baring floats the idea of BAT restructuring

By Nick Bunker in London

BARING Brothers, the privately-owned merchant bank, has begun taking tentative soundings among the City of London's largest institutional investors about putting together an alternative to Sir James Goldsmith's plan to take over and break up BAT Industries, the tobacco-based multinational.

The bank is acting on its own initiative and last night Mr Michael Prideaux, a spokesman for BAT, said there had been no approach to the tobacco group.

Barings is pointing out that Hoylake's so-called "unbundling" of BAT could divert perhaps as much as £1bn ($1.6bn) of the group's underlying value into the hands of Sir James and his backers, rather than to its existing public shareholders.

One alternative way of maximising BAT's value to its existing shareholders would be to reconstruct the group around a single holding company with four classes of shares, corresponding to its four businesses: tobacco, retailing, paper and insurance. This would circumvent the historic problem that BAT's share price has failed to reflect its underlying value, because the stock market has rated its non-tobacco businesses on the low price/earnings multiple that applies to tobacco.

Barings is understood to have mooted this as one possible option for existing BAT shareholders to prevent Sir James and his backers taking too large a slice of the company's value. The prime mover behind the idea of canvassing support for an alternative to the Hoylake bid is understood to be Mr Andrew Tuckey, Barings' 45-year-old head of corporate finance.

Mr Tuckey declined to comment last night, but in the last few days he is thought already to have visited three or four institutions, including one of the UK's five largest pension funds.

In another development in the battle for BAT yesterday, it emerged that Arizona has become the first US state to order a regulatory hearing into the takeover bid. It will now be at least mid-August before officials in Phoenix can decide whether or not Hoylake can be exempted from the full process of prior approval as a future owner of BAT's Farmers Group insurance subsidiary.

Ms Sarah Begley, the Arizona insurance department's hearing officer, said last night that the hearing would be held in Phoenix on August 9, but there was no fixed deadline by which the department had to give a final response to Hoylake's bid.

The first issue at the hearing, Ms Begley said, would be the question of whether or not the department had jurisdiction over Hoylake's bid. This was because in initial letters to insurance commissioners last week, Hoylake's New York lawyers Debevoise & Plimpton argued that for four reasons, Hoylake would not need to undergo the same arduous regulatory approval process which BAT slogged through to win control of Farmers last year.

In other states yesterday, insurance officials were also focusing on this issue. In an initial setback for Hoylake though, the California Department of Insurance has written to the group saying that it was "not persuaded" by the four arguments questioning the extent of its jurisdiction over the bid.

Why Packer is riding with the BAT pack

Chris Sherwell in Sydney looks at the overseas ambitions of the fiery Australian businessman

"I WANT to live in Australia. I don't want to live anywhere else. But you have to protect your organisation by going overseas and by being defensive when investing in Australia."

So said 51-year-old Kerry Bullmore Francis Packer, Australia's richest man, a few weeks ago when he gave a rare press interview to his own Australian Business magazine to explain his investment strategy.

At the time, Mr Packer was in the process of acquiring control of Australian National Industries (ANI), the country's largest engineering group, in a cleverly-calculated bid valuing the company at A$750m ($560m). He had also linked up with Sir James Goldsmith and Jacob Rothschild to spend £415m buying 30 per cent of Ranks Hovis McDougall, the British food giant.

The purchase, from the acquisitive Australasian group Goodman Fielder Wattie, stymied Ranks' counter-assault on Goodman, and the assumption was that the trio would make a full bid for Ranks. But last week they showed they had even bigger fish to fry, unveiling a £13bn all-paper bid for BAT Industries, the tobacco-based conglomerate.

Passion for polo: Packer swings in and BAT becomes the ball

Mr Packer's links with the Goldsmith/Rothschild team go back a long way: he was an investor with them in several of Sir James' big deals in the US, such as the 1984 assault on paper group St Regis.

Nor is he new to the London market. In 1987 he emerged with a handsome profit from an investment in the merchant bank Hill Samuel when he sold out to Trustee Savings Bank. Last year he was involved in a play with Courtaulds.

But the deal which made him an investor of international consequence was the sale of his Australian television and radio interests to Mr Alan Bond for a phenomenal A$1.05bn in early 1987. This made him Australia's richest man by far, with an estimated net worth of between A$1.4bn and A$1.8bn.

His reputation for shrewdness had already been established in 1983, when he used a weak stock market to take his flagship business, Consolidated Press Holdings, private. But he enhanced it further in 1987, when he sold out of most of his stock market investments to beat the October crash. With the Bond deal as well, a myriad opportunities inevitably started coming his way.

His detractors belittle his achievements, saying he owes less to his own ability than to the fact that he was born the son of Sir Frank Packer, whose publishing and broadcasting empire he inherited in 1974. They say luck also sealed the Bond deal, for, as Mr Packer admitted, he was keen on taking over Mr Bond's TV interests but his competitor simply had the deeper pockets.

His core cash-generating business now is an array of magazines — among them Australian Business, Australian Women's Weekly, Cosmopolitan and The Bulletin (which includes Newsweek). Abroad it is Valassis, the largest publisher of free-standing coupon inserts in the US, which he acquired as GFV Communications in 1986.

But his wealth is not confined to the media, or for that matter to strategic stock market investments. Mr Packer is one of the country's biggest landowners, with vast rural properties in the Northern Territory, Queensland and New South Wales and interests in cattle, wool and cotton.

He bought Monsanto's Australian chemicals manufacturer in 1986 for its dominance of the styrene market and its tax credits. And he is involved in the resources sector through the much less successful Muswellbrook Energy and Minerals, which has interests in coal, oil and gold.

Other investments include major property developments in Melbourne and Perth, a handful of tourist resorts, initial backing for the Whitlam Turnbull merchant bank, and a temporary but celebrated tie-up with Sir Ron Brierley to frustrate Mr Robert Holmes à Court's attempt to restructure his Bell stable of companies.

A patriarchal element is still to be found in the Packer business: all employees traditionally receive food and drink hampers at Christmas. But Mr Packer also has a thoroughly modern tendency to delegate full responsibility to his executives. In return, of course, he expects them to perform.

His temper is said to be legendary, and his negotiating manner bullying. But he is decisive. And his reputation as a heavy gambler is apparently directed at horses more than business.

His willingness to sell his television interests revealed a dispassionate attitude towards his investments, for the Packer network had an enviable record for its coverage of current affairs and sport, and Mr Packer is an inveterate viewer.

He is also an intensely private man. Indeed, despite his own role as a proprietor, he is said to be mistrustful of the media, particularly after newspaper reports mistakenly linked him in 1984 with a figure, code-named "Goanna", alleged by a royal commission to have been involved in illegal activities.

Mr Packer lists his recreations as golf, tennis, shooting and cricket, but his real passion in recent years has been polo. He has taken lessons, bought strings of ponies and flattened some of his Hunter Valley land north of Sydney into playing fields. He also loves sweets and smokes heavily, but is teetotal.

In his Australian Business interview, Mr Packer confirmed that he was a bear on the outlook for the Australian economy and for the Australian dollar.

"You don't have a choice but to invest overseas," he said. "If you are going to be passive, you buy stocks or Treasury bills and you sit there and let inflation eat it all. If you are active and you don't have the expertise, you become involved with a group of people who do."

The link with Sir James for the BAT bid is through the 100 per cent-owned Consolidated Press International. Significantly, this has a board of independent directors which includes Mr Jim Wolfensohn, the New York-based banker, Mr Vernon Jordan, a New York lawyer, Mr Maurice Strong, formerly of the World Bank, and Mr Bruce Gyngell, the Australian who heads TV-am in Britain.

Since 1983 Mr Packer's Consolidated Press Holdings is said to have multiplied in size several fold and the ANI acquisition will expand it further. But his involvement with Sir James Goldsmith and Jacob Rothschild in Ranks and BAT is not only in another country — it is of another order.

Still, the indications are that Mr Packer is leaving the running of the fight very much to Sir James. He remained virtually silent at the press conference called to launch the bid and, asked why he had joined the team, replied: "I always wanted to get to a Press conference like this."

Strong second quarter at AT&T

By Roderick Oram in New York

AMERICAN Telephone & Telegraph has reported a surge in second quarter profits with improved contributions from many sectors, including its long distance telephone service, equipment sales abroad and computer products.

The uniformly good results from long distance carriers such as AT&T and its competitors MCI Communications and US Sprint which reported earlier was not mirrored in local services. Regional telephone companies such as Pacific Telesis and Southwestern Bell reported widely different profit trends yesterday, although all of them benefited from booming cellular telephone businesses.

AT&T turned in second quarter net profits of $699m, or 65 cents a share, up 18 per cent from $594m, or 55 cents, a year earlier. Revenues were $9.26bn against $8.8bn. The first half net result was $1.29bn, or $1.20, against $1.09bn, or $1.01 on revenues of $17.92bn against $17.19bn.

Sales of services increased 9.8 per cent in the quarter, while long distance usage increased 7 per cent, faster than in earlier quarters. The main volume gains came in business and international calls. AT&T attributed some of the pickup to its promotional and advertising activities.

Product sales increased by about 4 per cent in the quarter, largely reflecting growth in equipment sales abroad and in computers. Among notably contracts, it is selling $154m of fibre optics equipment to Nippon Telegraph and Telephone.

Pacific Telesis, which serves California and Nevada, turned in flat net profits for the second quarter of $325m, or 79 cents a share, against $321m, or 76 cents a year earlier. Revenues edged ahead to $2.41bn from $2.34bn. Excluding the gain from the sale of a subsidiary, profits were 73 cents a share in the latest period.

The brightest element of Pac-Tel's results was the sharp increase in net earnings by its *cellular telephone subsidiary to* $13.5m from $4m. Revenues rose 51.3 per cent to $111.5m thanks to a 51 per cent rise in the number of subscribers to 315,000.

At Southwestern Bell, cellular telephones underpinned the 23 per cent rise in second quarter net profits to $261.5m, or 87 cents a share, from $212.9m, or 71 cents. Revenues rose modestly to $2.14bn from $2.03bn. A pick up in economic activity in the southwestern US was also a factor, it said.

JMB bids £258m for Randsworth

By Paul Cheeseright in London

JMB REALTY Corporation of Chicago last night moved close to winning control of Randsworth Trust, the British property investment company, after making a recommended offer worth £258m ($425m) and a foray into the market for stock.

The bid is the first significant US investment in the UK property market in recent years. JMB is looking for further acquisitions and its first move is seen as the start of a flow of North American investment funds across the Atlantic.

Although greater US interest in UK property had been expected, "the bid came out of the blue from the point of view of most investors," said Alan Carter, an analyst at Charterhouse Tilney.

This is the third agreed takeover offer in the property sector this week and the bids have played a significant role in pushing up property share prices. First a consortium led by Mr Stephan Wingate came out with a £314m offer for Imry Merchant Developers. Then British Aerospace declared its readiness to pay £278m for Arlington Securities.

JMB Realty on its own account and for institutional investors controls $20bn of property in the US and Canada and is thus more than double the size of Land Securities, the largest quoted British property group.

It has set up a special company called Offerflow to bid 325p cash for each Randsworth ordinary share and 130p cash for each Randsworth convertible preference share.

At the time of the bid announcement Offerflow had irrevocable undertakings to accept the offer for 24.1 per cent of the ordinary shares and 64.4 per cent of the preference shares.

In the market, S.G. Warburg, JMB's adviser, was offering 325p to buy shares and apparently found no shortage of takers. By the close of trading it appeared to be on the verge of controlling 50 per cent of the Randsworth equity.

The Randsworth price closed at 318p, suggesting that the market has little expectation of a counterbid from *Reinhold, the Swed*ish group which is Randsworth's largest single shareholder with 10 per cent of the equity.

Randsworth, alternately loved and cast off by the market, has a property portfolio, predominantly in the West End of London, valued at £473m. It has a net asset value of 318p a share, slightly beneath the offer price.

Last April, it called in Goldman Sachs, the US investment bank, to advise on its future. "We wanted to work out our own destiny," said Mr Andrew Nichols, the chairman.

Since then Goldman Sachs has been quietly searching for a buyer.

3M reports slowing in earnings growth

By Anatole Kaletsky in New York

MINNESOTA Mining and Manufacturing, the widely diversified technology company, yesterday reported a deceleration in earnings growth and unit volumes.

The company's operations are viewed as a good indicator of the state of the US industrial economy, and it warned that the possibility of a recession in the US economy would lead it to exercise caution in the months ahead.

The company, frequently called 3M, made net profits of $327m, or $1.49 a share, in the second quarter, compared with the $309m, or $1.36 a share, reported a year ago.

This represented an increase of 5.5 per cent in total profits and 9.6 per cent in earnings per share — reflecting the company's stock re-purchase programme. Sales rose by 4.2 per cent to $3.03bn, with most of the growth coming from international operations.

In the first six months of the year, 3M's profits advanced by 10 per cent to $645m, or $2.92 a share, on revenues which were 5.8 per cent up at $6.04bn.

The company said domestic unit volumes in the latest quarter were 3 per cent higher than the year before, but the volume gain in the first quarter had been 5 per cent.

International operations continued to enjoy volume growth of more than 10 per cent, but *the dollar's strength led to* a $17m, or 8-cents-a-share, reduction in second quarter profits.

For the first half, currency movements reduced profits by $24m, or 11 cents. In 1989 as a whole, 3M said it expected the strong dollar to reduce earnings by 22 to 25 cents a share.

Mr Allen Jacobson, chairman and chief executive, said: "While we are not expecting a recession, we are closely monitoring the situation and are being careful in our spending."

INTERNATIONAL COMPANIES AND FINANCE

UK stores group's profits held back by 1988 postal strike

By Maggie Urry in London

GREAT UNIVERSAL Stores, the UK retailing and property group, yesterday announced an increase of just 4.2 per cent in annual pre-tax profits, which were hit by last year's postal strike in Britain.

It also said that this year retail sales were being affected by the tighter economy, and that the profit for the first three months "is a little ahead of the comparable period last year."

Mr Harold Bowman, deputy chairman, said profits would have been £20m higher in the last financial year, to the end of March, but for the postal strike last September which hit home shopping profits.

GUS reported pre-tax profits of £400.2m compared with £384m last year. Group sales were 4.5 per cent up at £2.6bn. Profits include £8.2m of realised property profits compared with £8.6m the previous year.

GUS owns home shopping business in the UK and Continental Europe, Burberry and the Scotch House, and has interests in consumer and corporate credit and property. Mr Bowman said the balance of profits between retailing, at about 60 per cent, and property and finance, at 40 per cent, was a good mix at the moment, with retail trading conditions tough.

Mr Richard Pugh, head of the home shopping division, said that the after-effects of the strike were still being felt because of the dent in recruiting new agents. A new system had been introduced so that potential customers as well as established ones could telephone orders. Nearly all the group's deliveries are made by its own fleet.

Reduced retailing profits were offset by a strong performance from the credit and property activities. Home shopping contributed 46.6 per cent of after-tax profits; other retailing contributed 12.6 per cent; consumer and corporate finance, business information services and investment income accounted for 26.2 per cent; and property rentals 14.6 per cent.

The group's investment property portfolio was revalued, showing an £85m surplus. Adding that to retained profits of £166m, and an extraordinary profit of £34m following the sale of most of the group's stake in Harris Queensway when it was taken over last year, increase shareholders funds by £305m, or £1.20 per share. This takes the net asset value per share to £10.60p.

Lex, Page 22

Cofide may maintain CIR stake with L221.3bn issue

COFIDE, a key financial holding company of the De Benedetti family, announced plans to raise L221.3bn ($161m) through a combination of a scrip, rights and warrant bond issues, AP-DJ reports.

Cofide is likely to use the proceeds of the capital operation for subscribing to its L65bn share of a capital increase launched by CIR, the industrial holding company of Mr Carlo De Benedetti.

Cofide said the three-step capital operation "needs to be seen in light of the commitment that Cofide has as controlling shareholder of CIR and CIR's important investments in all its sectors of activity."

Analysts took this to mean that Cofide plans to maintain its stake in CIR around current levels.

Cofide currently owns 48 per cent of CIR, but this shareholding will be diluted to 36 per cent as a result of CIR's L1,140bn capital increase reserved for American Telephone & Telegraph.

To reverse the dilution of its CIR shareholding at least in part, Cofide is expected to buy CIR stock on the open market, analysts said.

AT&T announced last Saturday that it would sell its 23 per cent stake in Olivetti, the office equipment group controlled by CIR, and acquire an 18.6 per cent shareholding in CIR through subscription to the L1,140bn share issue.

NEWS IN BRIEF

Court halts share issue at Nestlé

A CIVIL court in Vevey yesterday issued a temporary order halting the second tranche of Nestlé's planned capital increase, which has been opposed by a dissident shareholder group, Reuter reports from Zurich.

The decision temporarily halts the company's plan to create 171,650 registered shares and 3,350 bearer shares to hold in reserve and issue when management saw fit. The more important SFr800m ($485m) first tranche of the increase, which was unopposed, has been completed.

The court must still make a final ruling on the measure.

Myson in bid talks

SHARES in Myson, the UK boiler and radiator manufacturer, jumped 54p to 221p yesterday after the group announced that it was in talks which could lead to an offer being made for the company, writes Philip Coggan in London.

The carefully-worded announcement did not say whether the bid approach had come from an outside group, from the management itself, or from more than one source.

Speculation in the stock market centred on a bid from overseas. GEC, the former employer of Mr Ray Wheeler, Myson's chairman and chief executive, *said it had not* made the approach.

Sell-offs in Portugal

PORTUGAL has named three more companies to be partially privatised in its drive to dismantle the state sector, Reuter reports from Lisbon.

A cabinet statement said that the Government would sell 49 per cent stakes in Banco Portugues do Atlantico (BPA), the brewer Central de Cervejas and cement company Cimentos de Portugal.

Officials said that BPA and Centralcer may be completely privatised when laws now prohibiting 100 per cent privatisations are reformed, but the state will retain a large stake in Cimpor.

Young generation takes charge at SGS

William Dullforce examines an upheaval at the world's largest quality control group

Shareholders regaining control over management; a palace revolution by the latest (intriguingly female) generation of the founding families; and the final showdown of a deadlocked board.

These are just three of the many facets of the shake-up at the top of Société Générale de Surveillance (SGS).

Analysts who have had direct access to the world's leading goods inspection and quality control group, say the upheaval has been hatching for several months. They report a palpable unease among senior managers, which appeared to have two sources.

First was the forceful "Anglo-Saxon" style of Mr Patrick Rich, the managing director brought in from Alcan and put in charge of a group with highly conservative traditions. Second was SGS's inability to make effective use of its cash kitty, *now around* SFr1bn ($620m), and to embark properly on the programme of expansion by acquisitions which it had been signalling for the last couple of years.

Mrs Elisabeth Salina Amorini, the 34-year-old lawyer and deputy chairman who is leading the revolt of the family shareholders, attributes this impotence to divergences within a board dominated by outsiders.

In spite of its steady profit growth, averaging 17 per cent a year in net earnings over the last 10 years, confusion has shadowed SGS's future development. The present convulsion, caused by the resignation of Mr Philippe de Weck, the chairman, and three other directors, and the departure of Mr Rich, mirrors a conflict over SGS's nature and the kind of animal it is to become.

Philippe de Weck: resigned as chairman

The group dates back to the 1870s when Mr Henri Goldstück, a young Baltic refugee, fled from military service in the Tsar's army. He found work with an oats merchant in Rouen, *whom he persuaded to* pay him a commission on the savings he could realise by improving the handling and storage of the oats.

Quality and quantity control of goods on behalf of governments and private companies, initially organised in partnership by the founding families — Goldstück, Salmonowitz, and Siegmann — subsequently grew into today's Geneva-based group with an annual turnover in fees of SFr1.7bn, some 200 subsidiaries and affiliates in 140 countries and a staff of 22,000.

The families still own more than half the voting stock. Union Bank of Switzerland holds 12 per cent, while Pictet et Cie, the private bankers, control 8 per cent. Mr de Weck, the departing chairman, is a former chairman of UBS.

SGS has been diversifying in recent years, notably through the purchase in 1985 of GAB Business Services, a US company specialising in damage assessment for insurance companies. This entry prompted a number of smaller acquisitions worldwide in the financial and insurance services sector.

But last year 68 per cent of group revenue still came from control and inspection operations. SGS was performing respectably but not doing much in the way of corporate development, for which Mr Rich had been hired.

It is evident that Mr Rich had ideas but was frustrated, although the exact reasons for the impasse on the board are unclear. SGS remains a very secretive company but insiders suggest that two or three acquisition opportunities have been missed and that matters came to a head over Mr Rich's desire to make a major diversifying acquisition in the US.

Patrick Rich: forceful Anglo-Saxon style

He is understood to have argued the need to take the group into areas of higher added value and profitability. The family shareholders appear to have felt that SGS did not have the right management capacity and were worried about the group becoming too heavily dependent on dollar income. North America contributed 34 per cent of the 1988 turnover.

Certainly, there was a strong feeling within the families that the proposed diversification was taking SGS too far away from its traditional operations.

Mrs Salina Amorini has acknowledged that the group must use its treasure chest to expand but has emphasised untapped potential in the area where it has built up management competence, and the opportunities offered by the European single market.

At the extraordinary shareholders' meeting called for September 11 she will become chairman. She is expected to be joined on the board by Mrs Katrin Langloh, a 36-year-old economist, who also belongs to one of the families, and Mr Peter Craven, a family friend and chief executive officer of Morgan Grenfell, London. Other family friends, Mr Peter Spira, deputy chairman of County NatWest, London, and Mr Claude de Kémoularia, are already directors.

Mr Claude Goldberg, the new managing director, is an insider who started with SGS at the age of 17 and has made his career within the company. The key advantages which Swiss analysts see in the re-establishment of control by the young family generation are the restoration of middle management's confidence and the resolution of the impasse within the board. The new board should at least be able to take the strategic decisions.

Banco Santander reports 32.6% first-half rise

By Peter Bruce in Madrid

BANCO SANTANDER, the big Spanish commercial bank that holds a 10 per cent stake in Royal Bank of Scotland, yesterday reported net profits of Pta28.8bn ($242m) for the first half of 1989, a 32.6 per cent rise on the first six months of last year.

At the same time, the country's second largest bank, Banco Central, *said aggregate* first half pre-tax profits of its banking group had grown 11.1 per cent to Pta30.01bn and that net interest income had risen 5.2 per cent to Pta85.57bn.

Mr Emilio Botin, Santander's chairman, said the bank's "expanded presence in the world's major financial centres and the diversification of financial activities" had contributed to the improvement in the first half figures. Santander's net interest income rose 27.6 per cent to Pta77.9bn.

Most Spanish banks have been lending heavily so far this year, pushing private credit up 22 per cent in the first six months.

It seems likely, however, that this will slow considerably in the second half as the Bank of Spain has told the commercial and savings banks to cut growth in lending to a maximum of 11 per cent as a "last resort" monetary measure to combat rising inflation.

Magneti sells compressed air unit to US

By John Griffiths

MAGNETI MARELLI, Fiat's automotive components division, is to sell its Milan-based compressed air braking systems operations to Allied-Signal Automotive of the US.

No price is being disclosed for the division, which forms *part of Magneti's electro-mechanical* components group and claims to have 13 per cent of the West European market for compressed air braking systems on commercial vehicles. A letter of intent was signed yesterday which commits Allied-Signal to continuity of supply for existing customers, which include Iveco, Renault and Scania.

ACP chief resigns after failing to meet deadline

By George Graham in Paris

AGENCE CENTRALE de Presse (ACP), the second-biggest French press agency, has lost its chief executive, Mr Michel Burton.

ACP, which passed under the control of Mr Ian Maxwell, son of the British press magnate Mr Robert Maxwell, at the *beginning of 1987, said Mr Burton's* departure was "in full agreement between the different parties," but the agency's employees are worried that the Maxwells plan to abandon it to its fate.

Mr Burton said yesterday that the Maxwells had asked him to find new shareholders by July 17, and that he was asked to resign when he failed to meet this deadline. He now hopes to find financial backers to put up FFr35m ($5.4m) and to take over ACP himself.

Losses have been mounting steadily, climbing from FFr15.6m in 1986 to FFr19.3m in 1987, and reaching *FFr20.5m* in 1988. Mr Burton had *recently forecast an improvement* in 1989 on the back of sharply higher sales, but French credit analysts have remained cautious about the company.

Mr Ian Maxwell has named Mr Alain Couture, who came in recently to carry out a strategic audit of ACP, as temporary chief executive of the agency.

هكذا من الاصل

This announcement appears as a matter of record only.

NEW ISSUE *20th July, 1989*

Marubeni Corporation

U.S.$700,000,000

4 5/8 per cent. Bonds due 1994

with

Warrants

to subscribe for shares of common stock of Marubeni Corporation

Issue Price 100 per cent.

Yamaichi International (Europe) Limited

Morgan Stanley International — *Fuji International Finance Limited*
Bank of Tokyo Capital Markets Group — *Kleinwort Benson Limited*

Nomura International

IBJ International Limited — *Nippon Kangyo Kakumaru (Europe) Limited*
Taiyo Kobe International Limited — *Yasuda Trust Europe Limited*

Banque Bruxelles Lambert S.A. — *Baring Brothers & Co., Limited*
Citicorp Investment Bank Limited — *Credit Suisse First Boston Limited*
Daiwa Securities Co., Ltd. — *Daiwa Europe Limited*
Dresdner Bank Aktiengesellschaft — *Goldman Sachs International Limited*
KOKUSAI Europe Limited — *LTCB International Limited*
Merrill Lynch International Limited — *Mitsubishi Finance International Limited*
J.P. Morgan Securities Asia Ltd. — *NatWest Capital Markets Limited*
New Japan Securities Europe Limited — *The Nikko Securities Co., (Europe) Ltd.*
Okasan International (Europe) Limited — *Salomon Brothers International Limited*
J. Henry Schroder Wagg & Co. Limited — *Shearson Lehman Hutton International*
Société Générale — *Swiss Bank Corporation Investment Banking*
Taiheiyo Europe Limited — *Tokai International Limited*
UBS Phillips & Drew Securities Limited — *Wako International (Europe) Limited*
S.G. Warburg Securities — *Yamatane Securities (Europe) Ltd.*

This announcement appears as a matter of record only.

NEW ISSUE *20th July, 1989*

Marubeni Corporation

45,000,000 Shares of Common Stock

(par value ¥50 per share)

Issue Price ¥840 per Share

Yamaichi International (Europe) Limited

Morgan Stanley International — *S.G. Warburg Securities*

Salomon Brothers International Limited

This announcement appears as a matter of record only.

NEW ISSUE *(European Tranche)* *20th July, 1989*

Marubeni Corporation

U.S.$800,000,000

4 per cent. Notes due 1993

with

Warrants

to subscribe for shares of common stock of Marubeni Corporation

Issue Price 100 per cent.

Daiwa Europe Limited

S.G. Warburg Securities — Salomon Brothers International Limited
Fuji International Finance Limited — Nomura International
Bank of Tokyo Capital Markets Group — Morgan Stanley International
Bankers Trust International Limited — Banque Bruxelles Lambert S.A.
Banque Indosuez — Citicorp Investment Bank Limited
Dai-ichi Europe Limited — Dresdner Bank Aktiengesellschaft
Goldman Sachs International Limited — IBJ International Limited
Kleinwort Benson Limited — KOKUSAI Europe Limited
Kuwait International Investmnet Co. s.a.k. — Merrill Lynch International Limited
Mitsubishi Trust International Limited — NatWest Capital Markets Limited
New Japan Securities Europe Limited — The Nikko Securities Co., (Europe) Ltd.
Nippon Credit International Limited — Nippon Kangyo Kakumaru (Europe) Limited
Prudential-Bache Capital Funding — Sanyo International Limited
J. Henry Schroder Wagg & Co. Limited — Shearson Lehman Hutton International
Ssangyong Investment & Securities Co., Ltd. — Sumitomo Trust International Limited
Taiyo Kobe International Limited — Tokyo Securities Co., (Europe) Ltd.
UBS Phillips & Drew Securities Limited — Universal (U.K.) Limited
Wako International (Europe) Limited — Yamaichi International (Europe) Limited

Yasuda Trust Europe Limited

This announcement appears as a matter of record only.

NEW ISSUE (Asian Tranche) 20th July, 1989

Marubeni Corporation

U.S.$800,000,000

4 per cent. Notes due 1993

with

Warrants

to subscribe for shares of common stock of Marubeni Corporation

Issue Price 100 per cent.

The Nikko Securities Co., (Europe) Ltd.

Salomon Brothers International Limited — S.G. Warburg Securities
Nomura Singapore Limited — Fuji International Finance (HK) Limited

BOT International (H.K.) Limited — Morgan Stanley Asia Ltd.
ABN Capital Markets Far East Ltd. — Barclays de Zoete Wedd Limited
Baring Brothers & Co., Limited — Citicorp International Limited, Hong Kong
CS First Boston (Singapore) Limited — Daiwa Overseas Finance Limited
Daiwa Singapore Limited — The Development Bank of Singapore Ltd.
Dongsuh Securities — IBJ Asia Limited
Indosuez Asia (Singapore) Limited — Japan Cosmo Securities (Hong Kong) Ltd.
Japan Unviersal Securities (Hong Kong) Limited — Jardine Fleming Securities Limited
Kleinwort Benson Limited — KOKUSAI Securities (Hong Kong) Limited
The Lucky Securities Co., Ltd. — Merrill Lynch International Limited
Morgan Grenfell (Asia) Limited — NatWest Capital Markets Limited
NKK Merchant Bank (Singapore) Ltd. — Oversea-Chinese Banking Corporation Limited
Sanwa International Finance Limited — Sanyo Securities (Asia) Ltd.
Schroders Asia Limited — Taiyo Kobe Finance Hongkong Limited
Tokyo Securities (Asia) Ltd. — Yamaichi International (H.K.) Limited

Yasuda Trust and Finance (Hong Kong) Limited

INTERNATIONAL COMPANIES AND FINANCE

Growth at Dow Chemical slows in second quarter

BY **Karen Zagor** in New York

DOW CHEMICAL, the second largest US chemicals company which this week signed a merger agreement with Marion Laboratories, reported strong sales and earnings results for the second quarter.

Net income for the three months ended June 30 rose 17 per cent to $728m or $4.04 a share from $624m or $3.29 a year earlier. Sales for the quarter were $4.06bn, up 8 per cent from $4.25bn the previous year.

Excluding a one-time loss in the 1988 quarter of $12m or 6 cents a share, earnings for the recent quarter rose 14 per cent.

The improvement in second quarter earnings was well below the 47 per cent gain in first quarter income, reflecting a slowing in the boom conditions in Dow's main markets.

For the first half, net income rose 30 per cent to $1.47bn or $8.12 from $1.13bn or $5.96 a year ago while sales improved *by 10 per cent to* $9.09bn from $8.23bn.

Excluding last year's extraordinary loss, net income for the recent half rose 29 per cent.

"Even in light of a softening US economy and a stronger dollar, Dow's overall business outlooks remains bright," said Mr Enrique Falla, financial vice president.

He added: "Overall volume continues strong and, with the exception of polyethylene, prices remain stable.

"Margins at historic highs reflected the impact of flat prices and slightly increased costs versus previous quarters."

The Midland, Michigan company said operating income for its chemicals and performance products segment reached record highs. Strong contributors were caustic soda, vinyl chloride, ethylene glycol and propylene glycol.

Plastics operating income fell 12 per cent although sales for the sector rose 3 per cent. Dow said price pressures in polyethylene caused the decrease in operating income.

Demand for epoxy resins and polyurethanes set second quarter records in sales and operating income.

There was an 8 per cent advance in sales of Dow's consumer products, which include food-wrapping *film and self-sealing* plastic bags.

Dow's second quarter income was in line with analysts' expectation, and shares in the company gained $2 to $91⅞ in active early trading on the New York Stock Exchange.

Revived San Francisco bank breaks record

By Anatole Kaletsky in New York

BANKAMERICA, the San Francisco-based banking giant which last year began a spectacular recovery, announced another set of record earnings for the second quarter, almost *doubling the profits it* earned the year before.

BankAmerica's profits of $304m or $1.50 a share in the second quarter were 88 per cent ahead of the $162m or 85 cents reported last year.

The rate of profits growth showed *only a slight reduction* in momentum from the first quarter. In the first six months of 1989, the bank earned $579m or $2.88 a share, up 114 per cent on the first half of 1988.

The bank attributed the good results to expansion of domestic loans and deposits, with especially strong growth in *consumer loans and* mortgages, and to tight control over operating expenses.

Net interest income increased by 28 per cent to $1.036bn. Even excluding a large payment of Brazilian interest, which boosted all the major US banks' *second quarter* interest earnings, BankAmerica said net interest income increased by 21 per cent.

The interest margin rose from 3.79 per cent a year ago to 4.49 per cent in the latest quarter, excluding interest received from Brazil.

Non-interest income was $453m. Excluding a one-time gain recorded a year ago in connection with a litigation settlement, this represented an increase of about 13 per cent.

The increase reflected a lower net loss from sales of assets and larger foreign exchange trading profits. *These items were partly offset* by lower trading account profits and commissions on securities.

BankAmerica's provision for credit losses in the second quarter was $170m, compared with $110m a year ago. Net credit losses from Third World countries were $181m, compared with net recoveries of $15m a year ago.

Apart from Third World loans, the credit performance showed improvement, with net credit losses down to $18m from $37m a year ago.

BankAmerica's reserves for Third World losses at the end of the second quarter stood at 37 per cent of net non-trade related exposures. Its common equity of $4.2bn was 4.33 per cent of total assets.

Merck posts healthy profit rise

By Karen Zagor

MERCK, the big US drug company and one of *the heaviest* investors in pharmaceuticals research, reported a 25 per cent increase in profits for the second quarter.

Net income for the period ended June 30 was $396.6m or $1.00 a share, compared with $316.3m or 80 cents in the previous year. Sales revenues advanced 6 per cent to $1.59bn.

For the first six months, net income rose 25 per cent to $737.0m or $1.86 from $587.7m or $1.49 a year earlier. Sales revenues improved 7 per cent to $3.16bn.

First half sales were reduced 3 per cent by the disposal of Merck's interest in a Japanese affiliate. They were also hurt by the stronger dollar, which cut first-half sales growth by 3 percentage points, with a 4 per*centage* point reduction in the second quarter.

Foreign sales accounted for 47 per cent of total sales for the first half, against 52 per cent a year earlier.

Dr Roy Vagolos, chairman and chief executive, said that sales growth for the first half was led by new products. The New Jersey-based company named Mevacor, the anti-cholesterol treatment, as the product with the highest level of sales of any prescription medicine in the first 12 months *since introduction. The drug* has recently been introduced in Germany.

"Income growth for the first half resulted from strong unit volume gains, a better product mix, productivity improvements and a lower tax rate," said Dr Vagolos.

He added that action to control costs in the second quarter, with interest income, offset some of the damage from unfavourable currency exchanges.

Shares in Merck, which is quoted on the Dow Jones industrial index, rose $⅝ to $74⅝ in heavy mid-day trading in New York.

Our Financial Staff adds: Eli Lilly, the US drug company, reported record earnings and revenues for the second quarter.

Earnings were up 20 per cent compared with the same quarter of 1988, to $317.1m or 75 cents a share, from $180.7m or 63 cents a share. Revenues rose by 11 per cent to $1.12bn, compared with $1.01bn.

Recapitalisation mooted for LIN Broadcasting

By Anatole Kaletsky

A LEADING shareholder of LIN Broadcasting suggested it should undertake a huge leveraged recapitalisation instead of the $6.5bn *takeover proposal* by McCaw Cellular Communications.

The recapitalisation plan was put forward by Moran Asset Management, an investment group which controls just under 5 per cent of LIN.

Moran also proposed that LIN should separate its broadcasting and cellular telephone businesses into two companies trading on the stockmarket at about $4 a share for the broadcasting business, and $20 a share for the cellular group.

Separately, LIN announced strong second quarter results. It made net profits of $27.6m or 52 cents a share, 23 per cent up on the $22.4m or 42 cents a year ago.

FTC seeks further talks on Elf-Pennwalt merger

By Anatole Kaletsky

ELF AQUITAINE, the French energy and chemical group which is attempting to complete its $1bn agreed takeover of Pennwalt, the US speciality *chemicals producer, said* yesterday that the Federal Trade Commission had agreed to postpone anti-trust action against the merger, pending further negotiations between the companies and the commission.

The chemical industry is one of the few sectors of the US economy in which anti-trust enforcement has remained vigilant in recent years.

Several proposed mergers and joint venture deals, some involving domestic company *links and others* involving US takeovers by foreign suppliers, have been blocked or substantially modified by the FTC.

Elf's announcement, which seemed to confirm rumours that anti-trust problems remained unresolved, knocked Pennwalt's shares by $6⅞ to $121⅞ in heavy trading on Wall Street.

As a result of the uncertainties about the FTC's attitude to the merger, *yesterday morning* Pennwalt's shares stood nine per cent below the $132-a-share all cash offer, which Elf has extended to August 1.

The FTC is understood to be concerned about Pennwalt's strength in the fluorochemicals *business, which could lead to* reduced competition in the supply of polyvinylidene fluoride, used in construction and electrical insulation.

Although Elf does not make this product in the US it is an important import supplier.

Elf officials said yesterday that they were continuing discussions with the FTC on anti-trust safeguards such as possible divestitures. The FTC agreed not to request an injunction against the merger once Elf extended its bid.

Bond quizzed over Lonrho stake

By Raymond Hughes, Law Courts Correspondent

MR ALAN BOND, the Australian entrepreneur, was cross-examined for more than four hours in the High Court in London yesterday about the purchase by companies under his control of a stake in Lonrho, the UK trading conglomerate.

Lonrho is asking the court to freeze 114m of its shares held by Bond interests, alleging that Bond did not give correct answers when Lonrho sought *information about the ownership* of the shares.

In September and October last year Bond interests bought a total of 95m Lonrho shares – 21.5 per cent of the equity – in four tranches. Two bonus issues have increased the hold*ing to 114m units. The dispute* relates principally to the 76m shares in the last three tranches.

Initially Lonrho was told that the purchaser had been Bond Corporation Holdings. Later it was said that that had been a mistake and the actual purchaser had been Bell Resources.

Yesterday *Mr Bond insisted* there was no doubt that the 76m shares had been bought by Bell Resources. He said it had always been his intention, when he decided to build up a strategic stake in Lonrho, that Bell, which had the funds for a major acquisition, would be the purchaser.

Cross-examined by Mr William Stubbs, QC, for Lonrho, he denied that when talking about his business empire he had not distinguished between Bond and Bell companies. There had, he said, been no confusion in his mind about which company was going to acquire the shares.

Mr Stubbs suggested that it did not necessarily follow that, because Bell was "cash rich," it should have been the purchaser. The shares could have been bought by BCH, which *had been* loaned A$700m by Bell, he said.

Mr Bond replied that that had not happened.

How had it come about, asked Mr Stubbs, that the Australian stock exchange had not been notified of the share purchases?

"Everybody thought that somebody else was dealing with it," Mr Bond replied.

He said that he believed that the duty of informing the Australian Stock Exchange had been delegated to Bell's London office, which had been handling the share purchases. But the London office had thought it was being done in Australia.

"We recognise there is a duty to inform the stock exchange. In this instance it may have been badly handled, but not by any intention to do so. I'm concerned that we may have put people to trouble, which we should not have done, but I think we have put in place procedures that will *not let it happen again,*" Mr Bond said.

Alan Bond: 'Everybody thought somebody else was dealing with it'

He explained that one of his London executives had been busy "clearing up the mess" found in Bell Resources when it had been acquired from Mr Robert Holmes à Court.

Earlier he had said that "when we acquired Bell Resources it was the worst managed company I have ever been involved in."

The judge, Sir Nicolas Browne-Wilkinson, commented on the fact *that there was not a single piece of paper* in either Bond or Bell documenting Bell Resources' interest in the Lonrho shares.

"It is a very remarkable phenomenon if you have a company investing £360m-odd that not *a single piece of paper* is available anywhere recording that fact," the judge said.

Mr Bond replied that that was the situation.

Sir Nicolas: "That is what I have to determine." Mr Bond agreed that there should have been documentation.

The hearing continues today with legal submissions from Mr Stubbs.

Chile offshoot 'to retain CTC interest'

By Barbara Durr in Santiago

THE CHILEAN offshoot of Mr Alan Bond's corporate empire is adamant that it will retain its interest in CTC, the privatised telephone company, in the face of persistent speculation that the holding is up for sale.

Bond Corporation Chile owns 48.7 per cent of CTC – down from his earlier stake of 50.1 per cent. Mr Bond is required under the terms of privatisation to reduce his interest to 45 per cent.

Santiago investment bankers have said for several months that Mr Bond was looking for a buyer for his stake in the company, worth more than $280m. But Mr Mark Babidge, the head of Bond Corp Chile, said: "The shares are not for sale.

"Everybody thinks Bond is going bad and needs to sell all his assets, but it's just rumor mongering."

Mr Babidge said that since Bond took over CTC, which was privatised in late 1987, it has been very profitable. Profits doubled in 1988 to $62m from $31m, and this year it projects a profit of $102m. The telephone company's shares have been yielding 19.2 per cent, he added.

Minority shareholders said last week they believed Mr Bond was in conversations with GTE, the US telecommunications company, about selling CTC.

GTE had considered bidding for the company when it was auctioned in 1987, but in the end did not, and the reports of its latest interest could not be confirmed.

Mr Babidge said that Bond Corp Chile had been "badgered for the last six months" about a possible sale of CTC and placed the blame in part on Telefonica, the Spanish telephone monopoly.

Telefonica was a competing bidder for CTC in 1987 and was bitter about losing to Bond, he said.

Troubled projects hit aerospace sector

By Roderick Oram in New York

RESULTS from four leading US aerospace and defence groups revealed a range of problems from operating losses to heavy writedowns on projects.

Hardest hit was McDonnell Douglas, which reported an operating loss of $158m in the second quarter with four of its civilian and military aircraft programmes contributing to the setback.

The company had a net loss of $48m or $1.25 a share for the period against net income of $71m or $1.83 a year earlier. Revenues were $3.48bn against $3.61bn.

Booming orders for its airliners continued to create production problems resulting in an operating loss of $34m on MD-80 aircraft. Deliveries of the airliner slipped to 24 in the quarter from 31 a year earlier.

High research and development costs on its new MD-11 airliner coupled with a write-off for discontinuing its predecessor, the DC/KC-10, made a loss of $60m.

On the military side, higher than forecast development costs on the C-17 heavy cargo aircraft resulted in an operating loss of $64m. The T-45 trainer aircraft lost $8m.

The transport aircraft operations are still in the process of a major reorganisation begun in February. While this will produce long term benefits, in continues in the short term to disrupt operations and increase losses, the company said.

McDonnell Douglas did better on combat aircraft, raising operating earnings to $120m on revenues of $1.48bn from $93m on $1.47bn. It also benefited from better earnings at its information systems operations.

Northrop turned in a net loss for the second quarter of $78.1m or $1.67 a share against net profit of $21.9m or 47 cents a year earlier. Revenues were $1.4bn against $1.35bn.

The latest result reflected a $150m provision for estimated costs of completing a classified fixed-price R&D contract which, the company stressed, was not on its controversial B-2 bomber.

It had also taken a $150m write-off on the same project in the fourth quarter of last year.

Increased operating profit in the quarter came from more deliveries of airframe sections for F-5 and F/A-18 military aircraft and Boeing 747 airliners.

Rockwell reported third-quarter net profit of $178.1m or 70 cents a share against $214.7m or 82 cents a year earlier. Revenues were $3.2bn against $3.1bn.

The year earlier profit was inflated by a $50.2m tax adjustment, without which profits in the latest period would have been 11 per cent higher than a year earlier.

But operating profits in its aerospace sector fell 14 per cent to $103.5m reflecting a weaker contribution from its B-1B bomber programme.

The electronics division generated $150.4m of profits, up 46 per cent from a year earlier, but the automotive sector was down 13 per cent at $50.4m.

Going against the trend was United Technologies, which said it was boosted by strong demand for its Pratt & Whitney engines. Overall net profits for the second quarter were flat at $197.3m against $196.2m a year earlier, with both equal to $1.50 a share.

But the 1988 figure included a pre-tax gain of $41.4m from the sale of its stake in a West German semiconductor venture. Revenues were $5.3bn against $4.5bn.

Strong copper prices boost Phelps Dodge

By Kenneth Gooding
Mining Correspondent

PHELPS DODGE, the largest US copper producer, said high metal prices played a large part in an improvement in second-quarter earnings.

***In the quarter the group* achieved net earnings of $126.4m or $3.50 a share, compared with $92.8m or $2.88 in the second quarter of 1988.**

Revenues for the period rose to $643.9m, from $553.3m a year ago. Earnings and revenue *also gained from* the inclusion of results of the Accuride Corporation acquired during the second quarter *last* year.

Phelps Dodge noted that the New York Commodity Exchange spot price for copper cathodes averaged $1.23 a lb in the second quarter against $1.02 in the same months last year.

***Its* copper sales from mine production totalled 132,000 tons in the quarter, compared with 116,200 tons for the same period a year ago, while the mining subsidiary contributed operating earnings of $153.7m, against $93.9m *in the same* months last year.**

Although capital expenditure *in the first half fell* from $85.8m to $76.7m, the group said that for the whole of 1989 it was expected to rise to about $200m from $180m last year.

Phelps Dodge earned $292.3m or $8.34 a share in the *first half of this year* compared with $185.3m, or $5.77. Revenues rose to $1.34bn from $1.12bn.

Bowater drops on price cutting

By Maggie Urry

BOWATER INC., the US-based paper group, suffered a decline in net income in its second quarter and for the first half of the year. The drop was attributable to price cutting in the newsprint market combined with higher costs.

Second quarter net income fell 6.9 per cent to $38.0m on *sales 3.4 per cent* higher at $363.6m. Earnings per share were $1.01, against $1.09.

In the first half year, sales rose 4 per cent to $722.3m, net income fell 2.4 per cent to $76.9 and earnings per share were $2.05, down from $2.09.

Newsprint profits dropped 44.8 per cent to $25.8m. Mr Antony Gammie, chairman and chief executive, said newsprint volumes were unchanged from the previous year but an increase in price discounting and *the start-up costs* at two new pulp mills had cut newsprint operating income by more than $20m in the quarter.

Mr Gammie said that he still *expected* 1989 to be the second best year in the group's history.

The group's market pulp operations benefitted from rising pulp prices – they increased operating income in the second quarter by *37.5 per* cent to $26.4m.

Computer forms raised oper*ating profits* 6 per cent to $2.9m, and lightweight coated paper by 6 per cent to $21m. Timber operations profits fell 13.1 per cent to $3.6m.

Mack Trucks incurs second quarter loss

MACK TRUCKS, the US heavy truck maker in which Renault of France has a significant stake, suffered a loss in the second quarter as sales declined, agencies report.

***The company blamed the* decline in sales and profitability on the transition to recently introduced products and the softness in the Canadian heavy-duty truck market.**

The operating loss in the quarter stood at $19.9m, compared with a *profit* last time of $7.9m or 27 cents a share. Sales for the period fell to $518.8m from $571.9m.

In the latest quarter, after a tax credit the final loss was $19.6m while in the year-ago quarter, a tax credit brought the final net profit to $10.1m or 34 cents.

The six month operating loss came out at $19.2m, against a profit of $12.5m or 42 cents, and after tax credits the net loss for the latest period was $18.4m and the year-ago final net was $15.2m or 51 cents. Sales were again lower at $1.01bn, compared with $1.06bn.

The company said the lower sales reflect a 14 per cent decrease in unit sales of heavy-duty vehicles and a decline in medium-duty unit sales of nearly 15 per cent.

Banco do Brazil falls 93% in first half

By John Barham in Sao Paulo

BANCO DO BRASIL, the giant government-owned commercial bank conglomerate, has announced its worst first half figures in its 180-year history.

The bank announced a $32.1m net profit for the first *half, 93 per cent less that* its first half earnings in 1988 of $432.3m.

The bank has provided no further information on its performance, but it said profits would recover in the second half.

It said new inflation accounting methods introduced in the wake of January's Summer Plan were largely responsible for the profits decline. The government's abortive plan was designed to *stop inflation*, but prices rose 175 per cent in the first half.

The bank said that were it not for the new accounting *methods, it would have seen* a $559.5m pre-tax profit.

However, private commer*cial banks have not suffered to* the same extent as Banco do Brasil. Mr Antonio Carlos Roval, a financial analyst, said: "The market does not expect any private commercial banks to suffer a reduction in their real profits."

Banco do Brasil complained that government policy requires it to lend disproportionately more to farmers and to small businesses, reducing its profitability.

Mr Mario Berard, the bank's president, said rescheduling of loan repayments to soyabean farmers alone cost it $1.98bn.

The bank also said it lost $197.5m in foreign exchange dealings because the government did not adjust the exchange rate for domestic inflation when the Summer Plan began to unravel in April.

It also said a protracted strike in May ate into earnings.

Polaroid sharply ahead

POLAROID, the US *photography* group, moved ahead sharply in the second quarter on only a marginal increase in revenue, agencies report.

Net *quarterly income* advanced to $42.7m or 82 cents per share on revenues of $486.6m, from last year's $24.8m or 40 cents on revenues of $483.3m.

Sales in the US rose in the quarter, but international sales *fell* 4 per cent because of the impact of the stronger dollar.

Polaroid said distribution of OneFilm, a conventional film line introduced in the US in April, expanded in the quarter and is expected to increase steadily.

The company added that revenues from sales of instant film increased last year, and videotape sales continued to be strong, gaining share through increased volume and distribution in a declining market.

At the halfway stage the company also showed a sharp increase in income to $68.6m from $39m, which lifted earnings per share to 87 cents from 63 cents while sales expanded to $928.9m, against $893.4m.

INTERNATIONAL COMPANIES AND FINANCE

New Zealand Steel chairman poised to take over at BNZ

By Terry Hall in Wellington

MR SYD PASLEY, an Auckland businessman and chairman of New Zealand Steel, is likely to become the next chairman of the troubled Bank of New Zealand (BNZ) following a decision by the Government yesterday to support his candidacy.

He is also backed by Capital Markets, the local investment bank which emerged last month with a 30 per cent stake in BNZ as part of a restructuring.

Mr David Caygill, Finance Minister, said he would also support the election to the BNZ board of Mr Geoff Ricketts, a lawyer and Capital Markets director.

The Government retains 51 per cent of the bank following the rushed sale in June to Capital Markets, an associate of Fay Richwhite, a merchant bank.

This accompanied the announcement of a NZ$697m (US$416m) loss for BNZ in the year to March.

Mr Caygill said the appointment of Mr Ricketts would bring the number of Capital Markets directors on the board to three, in line with their shareholding. The others are Mr Michael Fay and Dr Robin Congreve.

The vacancies arise because Mr Frank Pearson has resigned as chairman, as have the two directors Mr Peter Leeming and Mr Pat Morrison.

● An easier market for newsprint and a stronger Canadian dollar against the US currency led to Fletcher Challenge Canada, the North American offshoot of New Zealand's largest company, yesterday announcing a fall in net earnings to NZ$105m for the six months to June from NZ$116.5m. Sales were up at NZ$1.03bn from NZ$926.5m.

For the second quarter, earnings were NZ$52.1m against NZ$60.4m but extraordinary debits reduced the latest bottom line to NZ$47.6m.

Mr Hugh Fletcher, group chief executive, said the result compared well with major competitors and that parent company Fletcher Challenge remained on track to achieve earnings of NZ$650m for its year to June.

Mr Ian Donald, president of Fletcher Challenge Canada, said that, although the market for newsprint had eased, the main impact on the result had been due to the strength of the Canadian dollar against the US currency, in which most of the company's trade is carried out. This had reduced earnings by NZ$23.5m.

Anglo mines weather gold price fall

By Jim Jones in Johannesburg

THE MAIN gold mines managed by Anglo American Corporation of South Africa managed to weather narrower operating margins and all remained profitable during the June quarter.

However, the continued weakness of the gold price has compelled several mines to modify capital programmes and mining operations. For example, Freegold, the world's largest gold mine, has modified its mining plan, cut capital spending and halted development of a new shaft.

The Saaiplaas division's No 5 shaft sinking programme has been halted and in Johannesburg yesterday Mr Peter Gush, the head of the group's gold and uranium division, was reluctant to say what gold price was needed before sinking resumed.

The mine's north region, which has lower gold grades than the southern division, curtailed ore extraction at two shafts and concentrated on sweeping – recovering rich gold in fine material left behind after initial mining. This could continue for about a year, according to Mr Lionel Hewitt, head of the group's Orange Free State gold division.

In the Transvaal Ergo, which recovers gold and uranium from old mine dumps, was forced to cut its processing rate because of an increase in the sulphur content of the residues being processed. The reduction will be temporary, according to Mr Theo Pretorius who heads the group's Transvaal gold division. He believes the gold production shortfall should be made up by the end of this financial year.

Vaal Reefs, the second largest mine, has been plagued by seismic events and excessive faulting of gold reefs for several quarters. Mr Pretorius says that the mine's No 5 shaft, which normally produces about a fifth of the mine's gold, has been affected by seismic activity but hopes to reduce the problem by filling worked-out areas with residues. However this could also take several quarters, Mr Pretorius cautions.

Heavy faulting at the No 8 shaft has forced an increase in the underground development rate to ensure an adequate availability of working places. The net result was a drop in Vaal Reefs' overall gold recovery grade to 6.81 grams per tonne (g/t) and ore processing rate to 2.64m tonnes. This compares with the March quarter's 7.15 g/t and 2.70m tonnes.

Mr Pretorius believes that production should be back to normal by mid-1990 and that the gold recovery grade will then approximate the 7.77 g/t average of 1988.

Elandsrand has decided to bring forward its plans to expand ore production to about 200,000 tonnes a month by 1993 from the present 142,000 tonnes. The project is likely to cost R65m ($24.1m) over the next two years and will give access to richer ore and an increase in the mine's average gold recovery grade.

Mr Pretorius would not comment on the likely eventual grade, but Johannesburg mining analysts believe it could rise to 8 g/t or more from 6.47 g/t in the latest quarter.

Neighbouring Western Deep Levels has continued to increase its ore milling rate, reducing its unit working costs by 3.7 per cent to R120.50 a tonne and increasing gold production and revenues. The mine is expected to reach its full capacity in the early 1990s when the tertiary shafts at No 1 shaft system are completed.

ANGLO AMERICAN GOLD QUARTERLIES

	Gold produced (kg) Jun 89	Gold produced (kg) Mar 89	After-tax profit (Rm) Jun 89	After-tax profit (Rm) Mar 89	Earnings per share (cents) Jun 89	Earnings per share (cents) Mar 89
Elandsrand	2,926	2,994	35.5	36.6	20.2	14.6
Ergo	2,884	3,084	19.9	33.6	25.8	39.8
Freegold	26,765	26,409	180.9	217.7	71.7	89.9
SA Land	346	361	1.0	1.2	11.8	12.7
Vaal Reefs	17,990	19,296	172.3	126.8	362.6	438.3
W. Deep	10,582	9,578	105.8	88.5	145.6	116.5

Earnings per share calculated after tax and capital expenditure.

SA cement maker lifts sales 55%

By Jim Jones

BLUE CIRCLE, the South African affiliate of Blue Circle Industries of the UK, lifted turnover by 55 per cent in the six months to June.

The increase was largely due to a merger of quarry interests, however, and profits rose by less because the merger raised the amount attributable to minority shareholders in subsidiaries.

Sales rose to R353m ($130.7m) from R227m and pre-tax profit increased to R58.1m from R40.2m. Cement sales have been comparatively buoyant with firm demand for major construction projects. The cement industry still has significant unused capacity, however, with several factories mothballed.

Mr Trevor Coulson, Blue Circle's chairman, warns that trading conditions are likely to be less buoyant during the second half of the year and forecasts net earnings of 245 cents a share for the year as a whole.

For the first half they rose to 108.4 cents a share from 92.8 cents, and the interim dividend has been lifted to 40 cents from 30 cents. Last year's full earnings were 227.4 cents and the year's dividend was 100 cents.

Alcoa Australia doubles income

By Chris Sherwell in Sydney

ALCOA AUSTRALIA, the world's largest bauxite miner and alumina producer, more than doubled net profits to A$376.2m (US$281.4m) for the six months to June from A$170.4m.

Sales rose 59 per cent to A$1.29bn.

The company is 51 per cent owned by Alcoa of the US and provided a significant part of the parent's US$5.38bn revenues and US$561.2m net profits for the period. Western Mining, the Australian resources group, holds a further 48.7 per cent.

Alcoa Australia said the rise reflected higher alumina prices and increased metal shipments but added that a fall in metal prices would make it difficult to maintain the first-half profits.

The company has four open-cut bauxite mines and three alumina refineries in Western Australia. It also has an aluminium smelter, semi-fabricating facilities, a power station near Melbourne, and a 45 per cent interest in a second smelter at Portland, in Victoria.

Another contributor to the improved profit was the start-up last October of the Hedges gold-mining operation near Boddington, in Western Australia. First-half production from the mine, billed as the fifth largest in the world, was 75,250 ounces.

The company announced that it was studying the feasibility of expanding its Wagerup refinery in Western Australia by 630,000 tonnes a year to 1.48m tonnes a year.

The cost of the expansion would be more than A$300m, and it would bring Alcoa's total capacity to 6.13m tonnes.

Overall, return on average shareholders' funds for the half-year on an annualised basis was put at 49.8 per cent, which compared with 28.1 per cent in the whole of 1988 and 10.7 per cent for the past five years.

Return on total assets was 26.3 per cent, compared with 13.4 per cent for the whole of 1988.

General Property records distribution of A$67.4m

By Chris Sherwell in Sydney

GENERAL PROPERTY Trust, Australia's largest listed property trust, yesterday announced a record distribution of A$67.4m (US$50.4m) for the six months to June – 33 per cent up on the same period last year.

The trust, part of the Lend Lease property and financial group, said its distribution for the second quarter of 7.5 Australian cents per unit brought the half-year total to 13.5 cents, equivalent to a yield of 10.4 per cent per year.

Total assets of the trust amounted to A$1.96bn, up 30 per cent on the A$1.38bn reached a year earlier.

Total borrowings were slashed to A$3.5m from almost A$61m.

Net tangible asset backing, at A$3.17, was unchanged from December 1988.

Sanyo Electric sees rise of 160% in year's profits

By Our Financial Staff

SANYO ELECTRIC, the Japanese electronics group, achieved worldwide net profits of Y5.6bn ($39.5m) in the six months to May and expects to earn Y16.5bn for the current full year – a 160% rise on last year.

This represents a strong improvement from the previous year when first-half profits reached only Y768m – revised to reflect an increase in the number of subsidiaries – and the outcome for all of 1987-88 was Y6.3bn. Aiding the improvement was an increased contribution from affiliates, to Y4.9bn from Y623m.

Sales rose 8.5 per cent to Y648.3bn. This was despite a 19.4 per cent slide in revenue from its well-known audio products line, where the Y89.8bn contribution is being eclipsed by growth in computer products. Turnover there grew 27.3 per cent to Y183.1bn.

The consolidated result – credited by Sanyo to strong spending in its home market which still accounts for nearly two thirds of its business – reflected Y18.1bn in pre-tax profits for the parent alone, up from Y12.6bn.

Zimbabwe issue undersubscribed

ZIMBABWE'S first new public share issue for eight years has been only 75.8 per cent subscribed, writes Tony Hawkins in Harare.

Tabex Holdings, a leading tobacco company which has diversified into gold and horticulture, issued 17m shares at 90 Zimbabwe cents each to raise a total of Z$15.3m (US$7.1m).

The balance of the shares was taken up by the underwriters. The issue was well-supported by individual investors but largely bypassed by institutions, which were unimpressed by the Tabex prospectus – in spite of a prospective yield of 8.9 per cent.

INTERNATIONAL CAPITAL MARKETS

Volkswagen seeks $1bn via maiden Eurocredit

By Norma Cohen

VOLKSWAGEN is raising its first-ever borrowing in the Eurocredit market, a seven-year $1bn revolving credit facility arranged by Morgan Guaranty.

Credit facilities of this type are virtually unheard of among West German corporates, partly because the borrowers are able to raise fixed-rate funds in the securities markets, swapping the proceeds to achieve borrowing levels well below London interbank offered rates.

Volkswagen's facility carries a margin of ⅛ over Libor, rising to ¼ if more than half the funds are drawn. There are no participation or utilisation fees, although there is a commitment fee of eight basis points, which Morgan Guaranty concedes is aggressive.

Morgan expects the syndication to include 30 to 50 banks.

It said the German automaker had opted for the slightly more expensive funding in order to obtain greater flexibility. For one thing, the facility includes a swingline option which may be used as a backstop for the company's US and Euro-commercial paper programme and medium-term notes programmes.

Volkswagen is increasingly turning to short- and medium-term securitised borrowings for its general corporate funds.

In addition, the availability of a committed credit facility allows the company to make better use of its cash reserves of about DM13bn, investing those in slightly longer, but higher yielding, investments.

● Hanson, the UK conglomerate, has mandated Chemical Bank International to arrange for it a £3bn syndicated loan, intended to help finance the company's £3.5bn acquisition of Consolidated Gold Fields of the UK.

The three-year loan pays a margin of 15 basis points over Libor. Participation fees are three basis points for banks committing £300m, two basis points for £200m and one basis point for £100m. While bankers described the terms as somewhat fine for acquisition finance, the borrower's credit rating and anticipated future borrowing needs make it unlikely that Chemical will have difficulty attracting banks into the syndication.

Commerzbank plans DM400m issue for Turkey

By Jim Bodgener in Ankara

THE Turkish Treasury signed an agreement with Commerzbank in Frankfurt yesterday for the West German bank to issue Turkish bonds valued at DM400m ($210m) on the city's stock exchange.

The deal is a further extension of Turkey's attempts to diversify its balance of payment funding.

The seven-year bonds carry an annual return of 7.75 per cent.

● Turkey's central bank is long on levas following the recent arrival of 171,000 ethnic Turks from Bulgaria, a result of Bulgaria's five-year-old forced assimilation programme, Reuter reports.

The bank has been paying TL 215 for each leva. An official of the bank said yesterday: "This is just a favour from us to the refugees. It's a subsidy. The central bank wouldn't buy any levas under any other conditions."

Bank blames rerating on NZ asset-freezing policy

By Andrew Pirie in Wellington

CONTROVERSIAL moves by the New Zealand Government to freeze the assets of several troubled companies drew renewed criticism yesterday when a merchant bank blamed the moves for its reduced international credit rating.

Mr John Perham, chairman of DFC New Zealand, said that although the downgrading by Moody's Investors Service, the US credit rating agency, was unnecessarily harsh, it was an indication that international bankers were concerned about the use of government-appointed statutory managers.

Last month the Government appointed statutory managers to the property arm of Chase Corporation, the New Zealand investment group with assets of NZ$1.3bn (US$778m).

Earlier this year similar action was taken with Equiticorp, with NZ$2.5b in assets, and Richmond Smart, with NZ$440m.

There has been growing concern within the financial community that statutory managership diminishes bankers' rights as creditors, notably their ability to seize and sell secured assets.

Moody's said yesterday its lower ratings for three DFC borrowing facilities were based on the company's "deteriorating asset quality" which, for the most part, resulted from the slowdown in New Zealand's economy.

But Mr Perham said: "Their [the banks'] potential withdrawal of support from New Zealand borrowers would almost certainly have contributed to Moody's rerating decision."

Moody's has dropped DFC New Zealand's rating for commercial paper from prime 2 to prime 3.

Eurobonds guaranteed by DFC New Zealand are down from A3 to Baa2, and DFC overseas investment's perpetual floating-rate note went down from Baa1 to Ba1.

John Crow sticks to his interest rate guns

In spite of mounting international criticism over high interest rates, Mr John Crow, governor of the Bank of Canada, refuses to relent. While the US Federal Reserve Board has eased credit twice since early June, the Bank of Canada has worked hard to defy the trend toward lower North American rates.

The independent course chosen by Mr Crow, with the backing of Mr Michael Wilson, Canada's Finance Minister, has intensified the political controversy surrounding the Progressive Conservative Government's monetary policy.

With Canadian/US interest rate differentials approaching their widest levels in post-war history, critics wonder why there is no room for Canadian rates to move lower.

The Finance Committee of the Canadian Parliament, in an unusual move, recently issued a report that questioned the appropriateness of maintaining high interest rates when many Canadian economists saw a recession looming.

Progressive Conservative committee members ignored partisan considerations and joined the Liberal and New Democrat opposition in recommending that the Bank of Canada did not resist downward market pressures on interest rates.

From the Bank of Canada's actions it appears that the report, and rising criticism

Ted Jackson on the repercussions of Canada's tight monetary policy

from provincial premiers and other interest groups, has not moved Mr Crow or the Government. Mr Brian Mulroney, the Prime Minister, recently said he would sustain the governor of the Bank of Canada and his high interest rate policy.

The central bank has been an aggressive money market player whenever Canadian dealers have tried to follow US rates lower. It has often sold Treasury bills for cash recently and has kept overnight lending rates at levels that discourage dealers from buying securities to hold in inventory.

The result has been a steep widening of yields between Bay Street and Wall Street that has kept the Canadian dollar pressed up against eight-year highs. Three-month Canadian Treasury bills, at 12.05 per cent, currently yield about 400 basis points more than US Treasury bills.

The benchmark Canadian long bond now trades at about 9.50 per cent, about 130 basis points above its US Treasury counterpart.

Mr Crow has his eye firmly on the ball, believes Mr John Grant, Wood Gundy chief economist. "He has a moral commitment to fighting inflation."

Mr Grant and his economics staff are forecasting a recession for Canada, perhaps beginning as early as the fourth quarter of 1989. They say that Mr Crow's tight monetary policy and the huge tax increases contained in the Government's 1989 budget will stifle domestic demand.

Dr Douglas Peters, Toronto Dominion Bank chief economist, has argued strenuously that maintaining such wide interest rate differentials with the US, Canada's leading trading partner, is damaging the economy. In a recent speech, Dr Peters said there had to be a better way to fight inflation than with an army of unemployed.

But there are those who argue that monetary policy in Canada has really not been very restrictive. Mr Graham Sanders, president of Toronto-based Sanders Investment Management, argues that Canada has a high interest rate policy, not a tight monetary policy.

Mr Crow would undoubtedly agree. He made it clear last year that growth in the M2 monetary aggregate was the central bank's principal guide to policy. With M2 currently racing ahead at 13 per cent, economists generally do not expect the central bank to ease before money growth is brought under control.

In contrast, M2 money supply in the US is flat, offering the Federal Reserve more room to ease than the Bank of Canada.

According to Wood Gundy, much of the spurt in Canadian M2 can be attributed to a massive increase in mortgage lending in the overheated southern Ontario housing markets.

But Canadian mortgage demand is expected to slow sharply in the coming months as the housing market cools. Sales of existing homes have been sliding since the end of the first quarter and competition among banks for mortgage lending has been intensifying.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on July 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 9¼ 95	600	103⅛	103½	+0¼	−0½	8.61
Austria 9⅝ 93	140	103	103½	+0⅛	−0¼	8.57
B.F.C.E. 7 92	150	96⅛	96¾	+0¼	−0¼	8.48
B.F.C.E. 9¼ 95	150	102¾	103¼	+0⅛	−0⅛	8.60
Brit. Tel. Fin. 9⅜ 98	250	103⅞	104	+0¼	−0¼	8.78
BP America 9¾ 99	250	—	—	—	—	—
Canada 9 96	1000	103¼	103¾	+0¼	−0⅝	8.27
Canadian Pac 10¾ 93	100	†102¼	102¾	0	+0¼	9.93
C.C.C.E 9¼ 95	300	102⅞	103⅜	+0½	0	8.51
C.N.C.A 9⅞ 93	150	102⅛	102⅝	+0⅛	−0⅛	5.72
Credit National 8¼ 93	200	†98⅝	99⅛	+0⅛	−0½	8.59
Credit National 7⅜ 92	100	97	97½	+0¼	−0¼	8.51
Credit National 9½ 92	160	102⅜	102⅞	+0⅛	0	8.55
Dai-Ichi Kan 9⅝ 92	150	101⅞	102⅜	+0¼	−0½	8.81
Denmark 7⅛ 92	500	96⅞	97	+0¼	−0⅜	8.58
E.E.C. 7 91	100	96¾	97¼	+0¼	−0¼	8.41
E.E.C. 7¼ 93	250	96⅛	96⅞	+0½	0	8.34
E.E.C. 10 93	140	104⅝	105	+0⅛	−0⅛	8.42
E.I.B. 9⅜ 97	150	104⅜	104¾	+0⅛	−0⅛	8.57
Eurofima 10⅛ 93	100	†105⅛	105½	+0¼	−0⅛	8.38
Elec. De France 9 98	200	101⅞	102⅜	+0⅛	−0⅛	8.63
Elec. De France 9½ 99	200	104⅞	105¼	+0⅛	−0¼	8.68
Finland 7⅞ 97	200	94⅛	94⅜	−0¼	−0½	8.89
Finland 9 96	250	101⅞	102¼	+0⅜	−0⅜	8.59
Finn.Exp.Cd. 8½ 92	200	99⅝	100⅛	+0¼	−0⅛	8.52
Finn. Exp. Cd. 9⅜ 95	200	102½	103	+0¼	−0⅛	8.77
Finn. Exp.Cred.10⅝ 91	100	102⅞	103⅛	+0⅛	+0⅛	8.80
Ford Motor Credit 8 91	250	†98½	99	+0⅛	−1⅛	8.79
Gen.Elec.Cap.Corp. 9 93	500	†101¼	101¾	+0⅛	−0½	8.55
Gen.Elec.Cap.Crp.10 1/2 91	300	102¾	103¼	+0¼	−0¼	8.43
Gen.Mtrs.Corp. 9⅛ 92	200	100½	101⅛	0	−0½	8.83
IBM Credit Corp. 8⅞ 91	250	101	101⅜	+0¼	−0⅛	8.27
IBM Credit Corp. 9½ 92	250	102¼	102¾	+0⅛	−0¼	8.35
IBM Credit Corp. 10 92	200	103½	104	+0⅛	−0⅛	8.42
Italy 9½ 95	1000	104	104½	+0½	0	8.58
Italy 9⅝ 99	1000	105⅛	105⅝	+0½	−0½	8.74
Japan Dev. Bank 10 96	200	106⅝	107⅛	+0⅝	−0⅛	8.61
L.T.C.B.of Japan 9¼ 92	200	101⅛	101½	+0⅛	−0½	8.77
Metropolis Tokyo 9½ 93	200	102⅝	103⅛	+0⅛	−0½	8.48
Nippon Tel.&Tel. 9⅜ 98	250	103⅞	104¼	+0½	−0⅜	8.72
Norway 8¼ 93	500	100⅝	101⅛	+0¼	−0½	8.43
Portugal 8¼ 91	300	†98⅝	99⅛	+0⅛	0	8.95
Prudential Crp. 8¾ 94	125	100¼	100¾	+0⅛	−0¼	8.62
Sumitomo Bank 9⅝ 92	150	†102	102½	+0⅛	−0¼	8.76
Sweden 7 91	250	97¼	97¾	+0¼	−0⅛	8.25
Sweden 8¾ 96	200	100¾	101¼	+0⅜	−0¼	8.53
Sweden 8½ 92	200	†99¼	99¾	0	−0½	8.68
Toyota 9½ 91	200	101⅜	101⅞	+0⅛	−0⅛	8.68
Victorian Rep 11⅝ 92	150	106⅝	107⅛	+0¼	−0⅛	8.70
World Bank 7 92	300	†96⅞	97⅜	+0⅛	−0¼	8.27
World Bank 9 97	300	102⅜	102¾	+0½	0	8.53
World Bank 9 93	300	101⅞	102⅛	+0⅛	−0⅝	8.42
World Bank 9¼ 98	300	103¾	104⅛	+0⅜	−0¼	8.61
World Bank 9⅝ 99	500	105⅞	106⅛	+0½	−0⅜	8.66
World Bank 9¾ 96	300	106	106¼	+0½	0	0.44

Average price change... On day +0¼ on week −0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	95⅞	96⅜	+0¼	+0¼	6.84
Austria 6¾ 99	750	99⅛	99¼	+0⅛	−0¼	6.85
Bank of Tokyo 5¾ 93	100	95⅞	96⅜	+0⅛	+0⅛	6.99
Commerzbank o/s. 5⅜ 93	300	95¼	95¾	0	0	6.86
Credit Foncier 6¾ 99	500	99⅛	99⅝	+0⅛	−0¼	7.85
Degussa Int. 6⅛ 97	200	96⅝	97⅛	0	+0¼	6.62
E.I.B 5½ 98	150	91¼	91¾	0	+0¼	6.81
E.I.B. 6¼ 99	600	95⅜	96¼	−0⅛	−0¼	6.86
E.I.B. 6⅛ 96	300	96½	97⅛	+0⅛	−0¼	6.70
E.I.B. 6½ 99	300	97	97⅜	0	−0¼	6.87
E.I.B. 6⅞ 95	300	100⅛	100¾	+0¼	−0⅛	6.79
Euro.Coal& Steel 5⅞ 97	175	93⅝	94⅛	−0⅛	−0¼	6.91
Eurofima 6¼ 96	100	97⅛	97⅞	−1	−0½	6.71
Elec De France 5¾ 97	300	93⅜	94⅜	−0⅛	0	6.75
Forsmark Krtg. 5⅛ 93	200	92⅞	93⅜	−0⅜	−1	7.31
Hydro-Quebec 6¾ 99	300	99⅛	99⅜	+0⅛	−0⅛	6.85
Japan Dev. Bk. 5⅜ 95	300	93⅞	94⅝	−0¼	−0¼	6.60
Japan Finance 5¾ 97	100	92¼	92⅞	0	−0⅝	7.03
Ireland 6½ 97	300	96½	97	0	−0¼	7.05
Malaysia 6¼ 94	150	97⅛	97⅞	+0¼	−1⅛	6.86
Nat. West BK. PLC 6 98	300	93	93¼	−0⅛	−0⅜	7.03
N.H.L. Finance 6¼ 95	200	†95¼	95¾	0	−0½	7.15
Nippon Telg.&Tel. 6 95	400	96¾	97½	+0⅛	+0⅜	6.28
Oester. Kontbk. 5 93	300	94⅞	95⅝	0	+0½	6.54
Portugal 5¾ 92	150	98⅞	99½	+0⅛	−0⅛	6.07
Portugal 6⅝ 95	150	100⅛	100⅞	−0½	0	6.52
Privatbanken 5¼ 93	150	93¾	94½	0	−0⅜	7.14
Royal Insurance 5½ 92	300	96⅛	96⅝	0	−0¼	6.99
Soc Cent Nuclear 7¼ 95	150	100⅝	101⅜	+0¼	+0½	7.04
Turkey 6½ 95	500	94⅜	95⅛	−0¼	+0⅜	7.64
Union Bk.Finland 5½ 94	200	95¼	95¾	+0⅛	0	6.68
World BK. 6¼ 97	600	96⅞	97½	+0⅛	−0⅛	6.92
World Bank 6¾ 99	600	99⅛	99¾	0	−0¼	6.87

Average price change... On day 0 on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5 96	150	†95	95½	+0⅜	+0½	5.84
Asfinag 5 03	100	†92¼	93¼	−0¼	−0¼	5.76
B.F.C.E. 4½ 98	200	†93	94	0	0	5.43
B.M.W.Fin.Neth. 5 13	150	†87½	88½	−0⅜	0	5.95
Britannia B/S. 4¼ 94	100	†91½	91¾	0	+0⅜	6.29
CIR. Int. W/W 3 93	125	†95	95¼	−0⅜	−1	4.35
Credit Lyonnais 4¾ 00	100	†90¼	90¾	−0¼	−0¼	5.96
E.I.B 4⅝ 98	150	†91½	92½	+0½	0	5.80
Fletcher Chall. 4⅞ 98	150	†88¾	89	0	+0¼	6.59
Kobe City 4⅝ 98	150	†92¼	92½	−0⅛	−0¼	5.74
Leeds Perm. B/S. 4⅛ 93	200	†92½	93½	−0⅜	−0⅞	6.28
Malaysia 5¼ 98	100	†87¾	88	−2½	−3⅞	7.12
Maxwell Comm.Crp. 5 95	150	†90	91	0	+0¼	7.02
Nat. Bk. Hungary 5½ 94	75	†95	95½	−0⅛	+0¼	6.56
Nationwide Ang B/S. 4 93	200	†92½	93	−0½	+0⅜	6.14
Nippon Telg.&Tel.4¼ 95	200	†93	93¼	0	+0⅜	5 61
Oesters.Ktbk. 5 03	75	†92	93	−0⅜	+0⅞	5.80
Prov. Newfoundland 5 03	150	†92½	92¾	+0¼	−0⅜	5.76
Thailand 4⅝ 95	200	†92½	93½	0	−0¼	6.05
World Bank 5 03	150	†92	93	0	+0⅛	5.79

Average price change... On day −0¼ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	101⅛	101⅜	0	−0⅛	5.26
Canada 5⅝ 93	80	101	101¼	0	−0¼	5.30
Eurofima 5 1995	20	98	98⅜	+0⅛	0	5.36
E.I.B. 4⅞ 93	30	98¼	98½	0	−0⅛	5.37
Ireland 5⅛ 93	30	99¼	99¾	0	−0¼	5.27
Norway 5⅛ 95	50	99	99¼	0	−0¼	5.30
Sweden 4⅝ 93	50	97½	97⅝	0	−0¼	5.36
World Bank 5⅛ 98	10	97¾	98¼	0	−0¼	5.42
World Bank 7 94	20	106½	107	0	−0¼	5.35

Average price change... On day +0 on week −0¼

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 11⅝ 95 £	100	98½	99	−0¼	+0⅜	11.90
Aegon 7¼ 92 FL	100	101¼	102¼	0	+0⅛	7.74
Alg. Bk. Ned. 5¾ 93 FL	200	95⅛	95⅝	0	0	7.22
Austria 7½ 94 ECU	100	96	96⅜	0	−0½	8.52
Bk.Nova Scot.14⅛ 90 A$	75	95⅜	96⅜	−0⅛	+0⅛	17.86
Barclays Aus.13½ 91 A$	100	95⅛	95⅝	−0⅛	−0⅛	16.02
Belgium 8⅛ 94 Ecu	150	97⅞	98⅜	0	−0⅜	8.61
BP Capital 9¼ 93 £	100	94⅛	94½	0	+0¼	11.70
British Airways 10 98 £	100	92⅝	93⅛	+0¼	+1½	11.31
Bahrmann-Tet. 6⅜ 93 FL	100	95½	96⅛	0	−0⅛	7.61
Comm.Bk.Aust. 12⅝ 93A$	100	†93½	94	0	−0⅛	14.83
CrLocalFrance 9¼ 92Ecu	100	101⅞	102⅜	0	−0¼	8.38
Deut.Bk.Aus. 13⅜ 93 A$	125	96¾	97⅜	−0⅛	+0⅛	14.28
Deutsche Bk.Fin. 15 94 A$	100	101⅝	102⅛	−0⅛	0	14.38
Eastman Kodak 13 90 A$	100	95⅜	95⅞	+0⅛	+0¼	17.62
E.I.B. 7 96 LFr	100	96½	97½	0	−0⅛	7.59
E.I.B. 9 99 Ecu	150	101½	102⅛	0	−0⅛	8.72
Eurofima 7⅜ 94 Ecu	100	96⅝	97⅛	0	−0⅛	8.46
Export Dv.Crp.8¾ 92Ecu	100	100¼	100¾	0	−0⅜	8.51
Fed.Bus.Dv.Bk.9¾ 92 C$	75	†99⅜	99⅞	+0⅜	−0⅛	9.89
Fed.Bus.Dv.Bk.10½ 93C$	50	101	101⅜	+0¼	−0⅛	10.13
Ferrv. Stato 7¾ 93 Ecu	100	96½	97⅛	0	−0⅜	8.72
Ford Cr.Can.10¾ 93 C$	100	†101¼	101¾	+0⅜	0	10.18
Ford Cred.Can.10⅞ 96C$	125	103⅛	103½	+0⅛	−0¼	10.15
Ford Cred.Fund.10⅜ 93£	60	96¼	96¾	+0⅛	+0½	11.79
Ford Mtr.Cred.7⅞ 93Ecu	100	96⅝	97⅛	0	−0⅝	8.91
G.M.A.C.Canada 11 3/494C$	100	104½	105⅛	+0½	+0⅛	10.40
Heineken 7⅝ 94 FL	150	102⅜	102¾	0	+0¼	7.57
Hydro-Quebec 11 99 C$	400	104⅞	105⅛	+0⅜	0	10.14
Lloyds Bank 10¼ 98 £	150	92⅞	93⅛	+0½	+0⅜	11.57
Lloyds Bank 11⅜ 98 £	100	96	96½	+0⅛	+0½	12.03
Montreal Tst.10¾ 93 C$	100	†100¾	101¼	+0⅜	+0⅜	10.42
Morgan Guar.Tst. 11 91 C$	150	†100¼	100¾	+0⅛	−0¼	10.51
Nat. Aus. Bk. 14¾ 94A$	100	99	99⅜	−0¼	−0⅝	14.95
New Zealand 9½ 93 £	100	92¾	93⅛	+0⅛	+0¼	11.88
Philips Gleoil. 6 93 FL	300	96¼	96¾	0	+0⅜	7.02
Privatbanken 7½ 94 LFr	500	97⅞	99	+0⅛	−0⅛	7.91
Royal Bk.Scot.10⅜ 98 £	125	94¾	95¼	+0⅛	+0⅝	11.60
Saskatchewan 9⅞ 91 C$	150	†99⅜	99⅞	+0⅞	−0¼	10.09
Saskatchewan 10¼ 93 C$	200	100½	101	+0½	+0¼	10.00
State Bk.NSW. 13⅞ 93A$	100	96¼	96¾	−0⅛	+0⅜	14.95
Sweden 15 94 A$	100	102⅜	102⅞	0	+0¼	14.12
Toyota Mtr.Cr.11⅛ 92C$	150	102⅝	103⅛	+0¼	−0⅛	10.13
World Bank 13¾ 92 A$	100	99⅜	99⅞	−0⅛	0	13.53
Zentrspk. 13¼ 93 A$	75	†96⅛	96⅞	−0⅜	−0⅛	14.33

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic.Bld 94 £	.08	99.92	99.97	24/07	13.39
Bank of Greece 99 US	0¼	99.70	99.80	8/09	10.62
Belgium 91 US	0	100.19	100.29	19/08	9.38
Chelt.& Gloucester 94 £	.063	99.90	99.95	30/08	14.06
Credit Foncier 98 US	.063	100.21	100.31	20/10	10.16
Dresdner Finance 99 DM	.031	99.92	100.02	27/07	6.59
EEC 3 92 DM	0	100.56	100.67	22/08	5.63
Halifax BS 94 £	.1	100.06	100.11	9/08	12.97
Invt. In Industry 94 £	0¼	100.09	100.19	24/08	14.06
Leeds Perm. B/S. 94 £	0⅛	100.15	100.19	13/10	14.06
Midland Bank 01 £	.1	98.40	98.73	15/08	12.97
Milk Mkt.Brd. 5 93 £	0⅛	100.02	100.07	29/09	14.31
New Zealand 5 97 £	.07	99.99	100.09	22/08	13.19
State Bk. Nsw. 98 US	.188	100.39	100.49	14/08	9.87
Woolwich Equit.BS. 93 £	0⅛	100.27	100.32	13/10	14.06
Woolwich 5 95 £	0¼	99.99	100.04	22/08	13¼

Average price change... On day +0.00 on week −0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	116	117	0	7.60
Amer. Brands 7¼ 02 US	9/87	56.7	129¼	130¼	+2¼	0.09
CBS. Inc. 5 02 US	4/87	200.	108	109	+0⅛	2.24
Primerica 5½ 02 US	†4/87	66.75	69	70	+0⅜	87.44
Eng.China Clay 6½ 03 £	9/88	4 8	106¼	107¼	0	5 06
Fujitsu 3 99 US	5/84	1106.	233	234	+1	−0.07
Ladbroke 5¼ 04 £	6/89	7.1	101	102	+0¼	129.51
Land Secs. 6¾ 02 £	6/87	6 72	99¼	100⅛	−0¼	11.02
Minolta Camera 2¼ 94DM	2/86	1004.	109¼	110¼	+0¼	11.49
MCA Inc 5½ 02 US	9/87	69.62	101	102	+1¼	12.17
Mitsubishi Bk. 3½ 04US	5/89	3266.	95	96	0	4.54
Next Plc 5½ 03 £	11/87	4.3	101⅛	102⅛	0	197.27
Nishi Nipp.Bk.2⅞ 03 US	4/88	809.	114¼	115¼	+0¼	−2.99
Omron Tateisi 2⅜ 02 US	4/87	1310.	265½	267	+1⅜	1.05
Ratners Hldgs 4¾ 03 £	1/88	3.5	127	128	−3	−2.14
Redland 7¼ 02 £	1/87	5 4	113⅜	114⅛	−0¼	−0.76
Saatchi&Saatchi 6¾ 03 £	†10/89	4.41	93½	94½	−0¼	36.36
Silicon Graphics 8 04 US	6/89	23.18	93¼	94¼	+0½	25.98
Sumitomo Bank 3¾ 04 US	2/89	4296.	86¼	87¼	+0¼	19.07
Texas Inst. 2¾ 02 US	9/87	82.87	75¾	76¾	−0¼	60.24
Utd.Newspapers 8 04 £	10/89	8.77	100⅛	101⅛	−0¼	95.13
W.R. Grace 6¼ 02 US	9/87	42.12	93	94	+0⅛	24.05

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

IMI Bank seeks $500m as new-issue activity picks up

By Andrew Freeman

NEW-ISSUE activity expanded on the Eurobond market yesterday as a series of deals aroused a commentary from syndicate managers and traders about tight pricing. No clear pattern of demand was discernible, however, and officials said the market was being driven by institutional needs in the absence of retail interest.

INTERNATIONAL BONDS

Bankers Trust was the lead manager of a jumbo $500m five-year deal for IMI Bank International, a subsidiary of Istituto Mobiliare Italiano, the financial institution capitalised at $3bn which is half-owned by the Italian Treasury.

The bonds came with an 8⅝ per cent coupon and were priced at 101⅛ to yield 67 basis points over the equivalent Treasuries. This spread was the subject of considerable debate among traders, many of whom felt it was extremely tight, to the point that they said they could not find demand for the paper.

Several declined their co-management invitations, commenting that a 10 or even 15 basis point increase would have brought the IMI bonds more into line with Italian bank paper in the secondary market.

Bankers Trust, which took half the deal itself, quoted the bonds at less 1⅞ per cent, a discount equivalent to full underwriting commissions. An official said that demand in Tokyo should enhance the early placement.

It had worked on the idea of a jumbo issue for the borrower for many months, trying to boost IMI's European profile before launching the deal. The proceeds were swapped into floating-rate dollars.

The dollar market was also tapped by Long Term Credit Bank via its own syndication department. A $150m seven-year deal was brought with a coupon of 8¾ per cent, priced at 101.70 to yield around 65 basis points over the equivalent US government issue.

The bonds were judged as slightly expensive, but correctly priced, and co-managers appeared to have little difficulty selling their allocations. The paper traded on fees at less 1⅞ bid. Japanese demand is expected to underpin the deal, the proceeds of which were swapped into floating-rate dollars.

The Eurosterling sector was active amid continuing European demand for a currency perceived to offer good value. Shearson Lehman Hutton was the lead manager of a £100m five-year issue for Royal TrustCo which came with an 11¾ per cent coupon and offered an attractive spread of 100 basis points over the equivalent gilt-edged stock.

The paper was quoted inside fees at less 1⅞ bid, boosted by interest from UK institutions which have steered clear of recent shorter-maturity Euro-issues. It is understood the proceeds were not swapped.

Warburg Securities launched a £100m three-year issue for Morgan Guaranty which was criticised as too expensive. The spread against gilts at launch was 65 basis points, and the bonds were quoted by Warburg just inside fees at less 1.35 bid.

An official countered comments that there was little demand for short-dated paper by pointing out that the IBM sterling deal it launched earlier in the week had uncovered pockets of interest.

Although Warburg would not comment, it is understood the proceeds were swapped into floating-rate sterling. Rivals remarked that Warburg has had some very aggressive swaps lately, notably on the IBM deal, about which the market is still gasping.

The European Investment Bank re-opened the FFr1.5bn deal it issued in June last year with a FFr1bn fungible deal brought by Crédit Commercial de France. The six-year bonds offered an 8¾ per cent coupon and were priced to yield 28 basis points over French government bonds.

The lead manager was quoting the paper at less 1¼ bid, on fees, amid what it described as widespread demand.

Elsewhere, the Canadian dollar sector was tapped by Royal Trust Corporation with a C$100m five-year unswapped deal via Société Générale. The launch spread of 77 basis points was judged as very tight by many traders, but the paper was bid on fees at less 1⅞.

In Switzerland the IBM International Finance SFr140m issue launched on Wednesday by Swiss Bank Corporation was trading at less 1½ bid. An SBC official said placement of the bonds was on target, and confirmed that SBC had decided to handle the underwriting without appointing a formal management group.

None of the other big banks was formally invited to join the deal, but it is understood that unofficial approaches indicated that they were unwilling to participate because they judged the pricing as too aggressive.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
IMI Bank Int.(a)◆	500	8⅝	101⅛	1994	1⅞/1¼	Bankers Trust Int.
Long-Term Credit Bank(a)◆	150	8¾	101.70	1996	1⅞/1¼	LTCB Int.
STERLING						
Royal Trustco(a)◆	100	11¾	101.60	1994	1⅞/1¼	Shearson Lehman Hutton
Morgan Guaranty Trust(a)◆	100	12	101.30	1992	1⅜/⅞	S.G. Warburg Securities
CANADIAN DOLLARS						
Royal Trust Corp.(a)◆	100	10⅛	101.85	1994	1⅞/1¼	Societe Generale
FRENCH FRANCS						
EIB(b)◆	1bn	8¾	101¾	1995	1¾/1¼	CCF
YEN						
Denmark, Kingdom of(a)◆	16.6bn	5⅞	101⅞	1996	1⅞/1¼	Mitsui Finance Int.
ECUs						
Compagnie Bancaire(a)◆	80	9	101½	1991	1⅛/⅝	Societe Generale
D-MARKS						
Tokai Kisen Co.(a)★★◆	20	7	101⅜	1994	1⅝/1⅛	IBJ (Germany)

★★Private placement. §Convertible. ◆Final terms. a) Non-callable. b) Non-callable. Fungible with FFr1.5bn issue launched in June 1988. Issue price plus accrued interest(12 July to 10 August).

Covered warrants offering for British Telecom

By Stephen Fidler, Euromarkets Correspondent

SALOMON BROTHERS yesterday announced an issue of so-called covered call warrants allowing holders to buy shares in British Telecom, bringing to seven the number of such deals in UK shares since Salomon launched the first, for Eurotunnel, in May.

When the Eurotunnel issue was launched, the UK covered warrants market was regarded by some as a flash in the pan, but each subsequent issue has been regarded as a success, bringing forecasts that the market could expand to as many as 20 stocks by summer's end.

The issues so far have been brought to market by two US houses – Salomon Brothers and Bankers Trust International – a blow to some British securities houses more closely linked with the UK market.

Salomon's tally includes an issue for ICI, while Bankers Trust has managed issues for Racal Electronics, Allied-Lyons, Cable & Wireless and Hanson. Up to six firms have said they are interested in making markets in the issues.

Yesterday's British Telecom issue priced the warrants at 48p a warrant, each exercisable into one British Telecom share. According to Salomon the strike price of £3 gives gearing of 5.5 times and a total premium of 32 per cent.

The success of the issues appears to be partly due to high short-term interest rates in the UK, which make the cost of carrying shares higher than usual.

Bankers Trust and Salomon both say the prime market for the warrants has been from institutions – the British Telecom warrants are listed in both London and Luxembourg to try to encourage that. Some houses say they have identified significant interest from retail investors, particularly in Switzerland.

Mr Quintin Price, of James Capel, says that this suggests the most successful issues in future will carry name recognition for Continental issuers. Because the issuer's arrangers will hedge at least some of their positions in the London Traded Options Market, future issues are also likely to be traded there.

The warrants – there is a dispute about the use of the term "covered" since this implies to some that the arranger has the underlying shares already in his portfolio – are somewhat expensive compared with the traded options market. But the arrangers argue that the longer maturity means that holders save money by not having *to roll over their positions.*

It is also clear that some retail investors are willing to pay a premium because they are bearer instruments.

Outside of the UK, the Swiss market has been highly active this year. According to Bankers Trust, 162 Japanese issues, 26 US issues and two Canadian issues have been made in the market this year.

Treasuries warm to testimony from Federal Reserve chairman

By Janet Bush in New York and Norma Cohen in London

US TREASURY bonds built on their recent gains yesterday, helped by a positive judgment of the testimony before Congress of Mr Alan Greenspan, US Federal Reserve chairman.

At midsession the benchmark long bond was quoted ⅜ point higher for a yield of 8.10 per cent.

GOVERNMENT BONDS

Mr Greenspan's remarks on inflation received the most attention. He said the balance of risks might have shifted away from greater inflation as a degree of slackness in labour and product markets looked set to ease the pressures.

He added that most of the acceleration in prices which had occurred in the first six months of this year might have been transitory, being related to supply conditions in food and oil markets.

He said that current Fed policy was not oriented towards avoiding a slowdown in demand but avoiding "an unnecessary and destructive recession." He said that there were signs of softness in the economy.

His remarks, while not particularly surprising, generally confirmed the Fed's bias towards easing conditions in order to keep growth going, in spite of the fact that inflation remains above the central bank's comfort levels.

The bond market continues to look for another move from the Fed to lower its target for Fed funds from the current level of 9¾ per cent. There was no sign of a shift in conditions yesterday, with the Fed announcing a four-day draining operation through matched sales in spite of Wednesday's encouraging consumer prices figures.

Fed funds dipped to 9⅛ per cent at midsession.

Doubt surrounding the debt ceiling has helped the bond market this week. An increase in the ceiling would need to be passed by Congress before the August Treasury refunding could be held as planned. Economists at Drexel Burnham Lambert noted that the Treasury had already taken some steps to reduce debt issuance and concluded that it would do whatever was necessary to insure that the August refunding went ahead. The refunding announcement is due on August 2.

The House of Representatives has already passed an increase in the debt ceiling but the Senate is likely to pass only a temporary increase until the end of September.

■ WEST GERMAN government bond markets posted gains in fairly active trading on much slower than expected growth in the closely-watched M3 monetary aggregate. Bonds gained about 30 pfennigs on average over the day.

The year-on-year growth rate for M3 for June was 4.4 per cent, compared with May's 5.3 per cent rate. The Bundesbank's target growth rate for M3 is about 5 per cent, so the latest data encouraged the view that money supply is under control.

■ FRENCH government bonds posted further gains, building on sentiment encouraged by the release earlier this week of June retail price data.

The markets were also encouraged by signs of a slowdown in inflation in the US and West Germany, which has eased pressure on FFr/D-Mark cross rates. The benchmark 8¼ per cent OATs due 1999 gained about 13 basis points over the day.

■ UK government bond prices closed with gains of up to ⅜ points, reacting more to signals about slowing inflation in the US than to UK banking data.

Gilts prices remained virtually unchanged in thin trading after UK bank lending and M0 growth data were released. But following the testimony to Congress from Mr Greenspan, dealers reported fairly brisk activity.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-24	+5/32	10.91	11.04	11.49
		8.750	1/98	97-15	+17/32	10.20	10.31	10.70
		9.000	10/08	97-15	+28/32	9.28	9.36	9.88
US TREASURY *		9.125	5/99	107-15	+15/32	8.01	7.97	8.32
		8.875	2/19	108-17	+11/32	8.11	8.02	8.30
JAPAN	No 111	4.600	6/98	98.1679	+0.059	5.23	5.22	5.50
	No 2	5.700	3/07	105.4679	+0.199	5.01	5.05	5.19
GERMANY		7.000	2/99	102.4000	+0.450	6.64	6.62	6.71
FRANCE	BTAN	8.000	1/94	97.2448	+0.213	8.74	8.79	8.90
	OAT	8.125	5/99	97.4600	+0.250	8.51	8.56	8.64
CANADA *		10.250	12/98	105.8750	+0.625	9.29	9.28	9.48
NETHERLANDS		7.000	3/99	98.5800	+0.260	7.08	7.05	7.12
AUSTRALIA		12.000	7/99	92.0475	-0.204	13.47	13.57	13.69

London closing. *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

World Bank on course to issue first 'global bond'

THE World Bank has confirmed plans for the first so-called global bond but has stressed it has no intention to use an auction system to issue them, Kyodo reports from Tokyo.

Mr Donald Roth, the bank's treasurer, said at a press conference to announce the bank's financial results for the year ended June 1989 that it hoped to issue the first of its global bonds sometime in the first quarter of the current fiscal year.

Last month the World Bank unveiled plans to issue global bonds – the first dollar-denominated debentures to be underwritten and distributed simultaneously in the US and on international bond markets.

Mr Roth said the scheme was designed to reduce borrowing costs by lowering the yields on World Bank bonds.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday July 20 1989

Figures in parentheses show number of stocks per section

Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Jul 19 Index No.	Tue Jul 18 Index No.	Mon Jul 17 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (204)	[illegible]									
2 Building Materials (29)	[illegible]									
3 Contracting, Construction (37)	[illegible]									
4 Electricals (9)	[illegible]									
5 Electronics (30)	[illegible]									
6 Mechanical Engineering (55)	[illegible]									
8 Metals and Metal Forming (6)	[illegible]									
9 Motors (17)	[illegible]									
10 Other Industrial Materials (23)	[illegible]									
21 CONSUMER GROUP (184)	[illegible]									
22 Brewers and Distillers (22)	[illegible]									
25 Food Manufacturing (20)	[illegible]									
26 Food Retailing (14)	[illegible]									
27 Health and Household (14)	[illegible]									
29 Leisure (33)	[illegible]									
31 Packaging & Paper (15)	[illegible]									
32 Publishing & Printing (19)	[illegible]									
34 Stores (34)	[illegible]									
35 Textiles (15)	[illegible]									
40 OTHER GROUPS (94)	[illegible]									
41 Agencies (17)	[illegible]									
42 Chemicals (23)	[illegible]									
43 Conglomerates (13)	[illegible]									
45 Transport (13)	[illegible]									
47 Telephone Networks (2)	[illegible]									
48 Miscellaneous (26)	[illegible]									
49 INDUSTRIAL GROUP (486)	[illegible]									
51 Oil & Gas (14)	[illegible]									
59 500 SHARE INDEX (500)	[illegible]									
61 FINANCIAL GROUP (125)	[illegible]									
62 Banks (9)	[illegible]									
65 Insurance (Life) (8)	[illegible]									
66 Insurance (Composite) (7)	[illegible]									
67 Insurance (Brokers) (7)	[illegible]									
68 Merchant Banks (11)	[illegible]									
69 Property (52)	[illegible]									
70 Other Financial (31)	[illegible]									
71 Investment Trusts (69)	[illegible]									
81 Mining Finance (2)	[illegible]									
91 Overseas Traders (8)	[illegible]									
99 ALL-SHARE INDEX (704)	[illegible]									
FT-SE 100 SHARE INDEX◆	[illegible]									

FIXED INTEREST

Price indices	Thu Jul 20	Day's change %	Wed Jul 19	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	[illegible]				
2 5-15 years	[illegible]				
3 Over 15 years	[illegible]				
4 Irredeemables	[illegible]				
5 All stocks	[illegible]				
Index-Linked					
6 5 years	[illegible]				
7 Over 5 years	[illegible]				
8 All stocks	[illegible]				
9 Debentures & Loans	[illegible]				
10 Preference	[illegible]				

Average gross redemption yields		Thu Jul 20	Wed Jul 19	Year ago (approx.)
British Government				
1 Low	5 years	[illegible]		
2 Coupons	15 years	[illegible]		
3	25 years	[illegible]		
4 Medium	5 years	[illegible]		
5 Coupons	15 years	[illegible]		
6	25 years	[illegible]		
7 High	5 years	[illegible]		
8 Coupons	15 years	[illegible]		
9	25 years	[illegible]		
10 Irredeemables		[illegible]		
Index-Linked				
11 Inflation rate 5%	5yrs.	[illegible]		
12 Inflation rate 5%	Over 5 yrs.	[illegible]		
13 Inflation rate 10%	5yrs.	[illegible]		
14 Inflation rate 10%	Over 5 yrs.	[illegible]		
15 Debs &	5 years	[illegible]		
16 Loans	15 years	[illegible]		
17	25 years	[illegible]		
18 Preference		[illegible]		

[illegible] Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	92	8	6
Corporations, Dominion and Foreign Bonds	10	0	31
Industrials	398	359	841
Financial and Properties	182	116	362
Oils	34	16	43
Plantations	0	2	9
Mines	35	58	82
Others	110	45	106
Totals	861	604	1,480

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]							

[illegible] footnotes to London Recent Issues.

TRADITIONAL OPTIONS

● First Dealings Jul 10
● Last Dealings Jul 21
● Last Declarations Oct 12
● For settlement Oct 23

For rate indications see end of London Share Service

Calls in Boddington, Parkland, Tuskar Resources, Richmond Oil & Gas, Haemocell, Acorn Computer, Atlantic Resources, Blacks Leisure, ERA and Hampton Trust. Puts in McCarthy & Stone, Moss Trust Chelsea Artisans and Eurotunnel warrants. Double in Atlantic Trust.

LONDON TRADED OPTIONS

BRITISH PETROLEUM topped trading in the London Traded Options Market for the third consecutive day yesterday, attracting 6,172 contracts. This brought the total amount of contracts traded in the option on the stock so far this week to well over 15,000.

Dealings have been coloured by an upcoming visit by financial analysts to the company's Alaskan ventures, and by the expiry of the July option on the stock next Wednesday. There is a heavy open position across all the month's series.

There was some cutting of open position in the July 300 BP calls, which saw 617 contracts, and some opening of interest in the October 330 calls, which saw 688 contracts.

The most heavily traded series were the January 330 calls, which attracted 2,029 contracts and an opening of interest of 1,992 to 2,066, and the January 300 puts, in which 2,000 contracts found an opening of position of 1,446 to 2,789. The underlying share price was unchanged on the day at 309p

There was overall market business of 41,436 contracts, consisting of 28,696 calls and 12,740 puts. There were, again, more call contracts traded than puts, with a total for index business of 4,621 contracts divided between 1,958 calls and 2,663 puts.

Trusthouse Forte was the second most actively traded individual options stock, with 2,778 contracts made up of 2,518 calls and only 260 puts. The underlying share price rose 13p to 355p.

The most actively traded series in the stock were the September 330 and December 330 calls, each of which attracted more than 500 contracts.

British Steel found 2,680 contracts, of which 2,077 were calls and 603 puts, with 995 contracts being handled in the October 70 calls, representing substantial opening of position. Jaguar and Scottish & Newcastle attracted further attention, with 1,717 and 1,186 contracts respectively.

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allid Lyons (*507)	460	47	67	79	1	7	12
	500	12	38	52	5	19	25
	550	-	16	29	-	50	55
Brit. Airways (*206)	180	27	35	38	½	2	3½
	200	7	19	23	1½	6	10
	220	½	8	13	16	19	22
Storehouse (*152)	140	13	22	27	1	6	8
	160	2	9½	15	11	14	16
Trafalgar (*371)	317	56	67	73	1	3	5
	347	26	41	48	1	7	12
	377	3	23	29	11	19	26
[illegible]							

Option		Calls Jul	Calls Sep	Calls Nov	Puts Jul	Puts Sep	Puts Nov
ASDA Grp. (*192)	180	14	24	29	2	9	11
	200	-	16	20	-	19	20
Gateway (*232)	220	13	13	12	-	1	1
	240	-	1	1	-	10	10

Option		Calls Sep	Calls Nov	Calls Jan	Puts Sep	Puts Nov	Puts Jan
Abbey Nat. (*148)	140	15	20	25	3	4	5
	160	4½	9	11	14	14	14
[illegible]							

FT-SE INDEX (*2292) [illegible]

July 20 Total Contracts 41,436 Calls 28,696 Puts 12,740
FT-SE Index Calls 1,958 Puts 2,663
*Underlying security price. † Long dated expiry months.

UK COMPANY NEWS

Agreement with US semiconductor designer gives boost to expansion programme

Plessey deal broadens its product range

By Terry Dodsworth, Industrial Editor

PLESSEY Semiconductors, the chip manufacturing subsidiary of the besieged electronics group, took another step in its expansion programme yesterday despite the threat of takeover hanging over its parent company.

In a deal with Simtek of the US, Plessey is moving into specialised memory products, a technology at which it has been looking for some time as it attempts to broaden its product range.

The agreement will give Simtek, a semiconductor design company, access to Plessey's chip manufacturing plant at Roborough, near Plymouth.

Plessey will produce all of the US company's semiconductors for the immediate future although this is not an exclusive arrangement.

At the same time, Plessey will have access to certain elements of Simtek's chip designs, while the two companies will jointly develop a new manufacturing process based on Simtek's technology.

The two families of semiconductors involved in the deal are electrically erasable and programmable read-only memories (EEPROMs) and non-volatile static random access memories. These are specialised products which are being increasingly used in semi-customised chips which combine logic and memory processes.

Mr Doug Dunn, managing director of Plessey Semiconductors, said that the threat of a takeover of Plessey by the General Electric Company and Siemens of West Germany was making it difficult to conclude deals of this type. Following Plessey's takeover of Ferranti's semiconductor activities 18 months ago, he had been anxious to press ahead with international collaborative projects to increase the scale of the company.

Simtek, based at Colorado Springs, was founded only two years ago. It employs a large number of engineers from the former Inmos group, the UK semiconductor company which was recently taken over by SGS-Thomson, the jointly-owned Italian-French joint venture.

CRH expands in concrete roof tiling with £16m purchase

By Andrew Taylor, Construction Correspondent

CRH, the international building materials group and one of Ireland's biggest companies, has acquired Anchor Building Products, a concrete roof tile manufacturer, for £16.1m.

The deal will make CRH the fourth largest concrete roof tile producer in the UK behind Marley and Redland, which together control about 70 per cent of the market, and Sandtoft which has about 10 per cent.

Concrete tiles account for about 90 per cent of all tiles sold in the UK.

The Irish group, which last year generated 24 per cent of profits in the UK, already sells concrete tiles in Britain under the brand name Hardrow.

CRH policy over the past decade has been to expand its interests in the UK, US and more recently on the Continent to reduce its dependence on the Irish construction market.

Mr Jack Hayes, CRH managing director for finance and development, said Anchor's share of the UK market was several times bigger than that of Hardrow. Anchor was also based in south east England while Hardrow's sales were mostly in the south west and north.

The development of a lightweight tile, ideal for repairs and replacements on older properties, was a big attraction, said Mr Hayes. Repair and maintenance was providing an increasingly large slice of construction work. The new Anchorlite range had been used extensively in local authority refurbishment schemes.

Anchor, formed in 1945, last year generated sales of £10m. About £14m of the purchase price has been satisfied by the issue of loan stock, redeemable at any time during the next 10 years at an interest rate below the London inter-bank six month bid rate.

CRH last year earned pre-tax profits of I£63.35m (£52.93m) of which 30 per cent was made in the US, 22 per cent in Ireland, 24 per cent in the UK and 24 per cent on the Continent.

AMI Healthcare climbs 39%

By John Thornhill

AMI Healthcare Group, the private medical company which is likely to be sold by AMI, its US parent company, later this year, lifted pre-tax profits by 39 per cent in the nine months to May 31.

Taxable profits rose from £10.68m to £14.82m on turnover ahead 20 per cent at £97.04m (£80.56m).

Talking about the possible sale of AMI Healthcare, Mr Jim Mills-Webb, finance director, said there were indications of a considerable degree of interest in the company, but he stressed that nothing would be definite until IMA Holdings had completed its acquisition of AMI.

It is probable that this will be completed by the end of August.

Commenting on the results, Dr Martin Goldberg, chief executive, said he was pleased by the growth in all sectors of the business.

AMI Healthcare's acute care hospitals increased turnover by 19 per cent over the nine months to £91m. The number of patients admitted rose by 7 per cent to 46,500 patients. Bed capacity increased by 3 per cent and the average length of an inpatient's stay fell from 4.7 days to 4.5 days over the nine months.

The costs of skilled labour continued to grow, outstripping price rises of between 8 per cent and 10 per cent. But Mr Mills-Webb, said that productivity programmes had ameliorated the impact of these labour cost increases and enabled the company to defend margins reasonably well.

Turnover from the psychiatric hospitals and the corporate health services division rose by 41 per cent to just below £6m.

Earnings per share grew by 13 per cent to 16.5p. No dividend was paid at this stage as payments are only made after the half and full year results.

Sutherland unveils rights issue and acquisition

By Edward Sussman

SUTHERLAND Holdings, the USM-quoted food processor, is expanding its share capital and product line with a £8.3m one-for-three rights issue and the £1.54m acquisition of Hilliers, a maker of pies, sausages, cooked meats and ethnic convenience foods.

At the same time, Sutherland announced a substantial increase in pre-tax profits and turnover in the 16 months to April 29, 1989. The group altered its reporting period from the 53 weeks ended January 2 1988 to April 29 in order to coincide with the acquisition and rights issue and to present its results during a more advantageous season for the food sector.

Pre-tax profits of £3.45m were reported on turnover of £112.8m. On a comparable 12-month basis, pre-tax profits soared 93 per cent to £2.96m as sales increased 32 per cent to £85.8m.

Sutherland will pay Barrets & Baird Holdings, an abattoir, up to £1.54m for Hilliers. Hilliers incurred a loss of £106,000 in the year to March 2 on sales of £8.02m. Its existing management is to be retained.

The rights issue will finance the sale with 12.6m new ordinary shares at 69p, compared with yesterday's market price of 81p.

The remainder of the proceeds will be used to finance factory improvements and to repay debt financing resulting from the acquisition of PA Manufacturers in 1987. PA Manufacturers, a holding company created from divisions of Northern Foods, was created to reverse into control of Sutherland.

Mr David Truran, who became chairman in May, said prospects for the full year were good and that the recent food scares had not hurt business.

Earnings per share were 5.96p, after a £1.15m interest charge kicked in as part of the reverse takeover. The preceding 53-week period saw interest charges of £165,000. A proposed final dividend of 1.15p makes a 16-month total of 2p (1.1p for previous year).

Placing at URS after losses

By Clare Pearson

URS INTERNATIONAL, the US-based management, architectural and engineering consultancy quoted on the USM, yesterday announced a £2.3m placing and open offer, after revealing that it had made a loss of $10.24m (£6.4m) in 1988.

The directors said that "without substantial additional equity capital", the company could not continue its operations.

URS said a serious shortfall in working capital had arisen from 1988's high level of losses which were scored on revenues of $9.19m ($8.72m). The losses compared with pre-tax profits of $635,226 in 1987.

There have been major management changes, including the resignation of four of the original URS senior managers and two non-executives. Two new directors have been brought in.

Thortec, the US parent company which has 64.1 per cent of the shares, is unable to take up its entitlement under the offer because of insufficient cash resources. These shares have been placed.

Thortec is cancelling a loan to the company of about $2.9m in return for $1m in cash and the issue of 10.5m additional shares which will give it a total holding of about 7 per cent in the enlarged equity.

About 262m new shares are being issued and they will be offered to existing shareholders other than Thortec on a 16-for-one basis. The net proceeds of the capital restructuring, after the repayment to Thortec as well as a loan from a sub-contractor, will be about £1.6m.

Last year's losses included increases in provisions of $1.3m; the write-off of previously capitalised pre-contract and market development costs totalling $1.1m; and $3.5m of goodwill. The previous year, the company had blamed an unexpected change in accounting policy by URS' auditors for a fall in profits.

Yesterday URS shares closed at 13p, down 3p. They were placed on the USM in September 1987 at 87p each.

Wace enlarges presence in pre-press sector

WACE GROUP, the pre-press services company, yesterday announced that it had conditionally agreed to acquire Marlin Group for an initial £2.25m.

Marlin, which operates from Sidcup, Kent, was established in 1976 and provides a complete pre-press service.

The purchase, which will complement Wace's existing operations and enlarge its presence in the pre-press sector, will be satisfied by the initial allotment of 387,724 new ordinary shares at 20p. The balance – £1.125m – will be paid in cash.

The initial consideration may be increased, by up to £250,000, or reduced if pre-tax profits for the year ending December 31 1989 exceed, or fall below, £450,000.

For the year ended December 31 1988, Marlin made £380,000 pre-tax on turnover of £2m. Net assets at that date were £470,000. In April, Wace announced more-than-doubled pre-tax profits of £10m (£4.13m) for 1988.

Herrburger takeover talks terminated

Herrburger Brooks, the manufacturer of piano parts and office furniture, said yesterday that discussions on a possible bid had been terminated without agreement.

Despite this, shares in Herrburger remained steady at 295p yesterday.

Following the July 5 announcement of the possible bid, the shares leapt from 225p to as high as 375p. The company was later forced to state that the bid approach had been at the earlier prevailing market rate of 225p.

Kimball International, Herrburger's US parent with 61 per cent of the equity, was not bidding for the remainder of the shares, the company said.

Herrburger's pre-tax profits fell from £161,000 to £64,000 in the year to March 31 1988.

Rentaminster suspended

SHARES IN Third Market-quoted Rentaminster, which supplies labourers to the construction industry, were yesterday suspended at 69p pending shareholders' approval for a £9.3m acquisition, writes Clare Pearson.

Rentaminster is planning to buy Sales Booster International, where two subsidiaries supply sales training courses and a system for monitoring the performance of companies' sales forces.

The consideration is to be satisfied as to £1.83m by the issue to the vendors of a loan stock, and as to £7.47m in cash.

The acquisition agreement is subject to the pre-condition that an underwriting agreement is set up for the issue of shares to finance part of the consideration.

£5.3m French lighting buy for Emess

By Edward Sussman

EMESS, the lighting and electrical accessories company, is to acquire 89 per cent of Eclatec, a French commercial light fittings maker, for FFr 54m (£5.3m).

Eclatec is a non-quoted company operating out of Nancy and Paris, which says it is the third largest manufacturer of commercial light fittings in France. Its projects are mainly industrial and have included the Grande Arche at Tete Defense and Le Musee d'Orsay. In 1988, it earned FFr 8m in pre-tax profits, on sales of FFr 137m.

The consideration is being satisfied by a vendor placing of 4.6m preference shares at 115p. Emess has agreed to buy the additional 10 per cent of Eclatec's share capital at the beginning of next year. The transaction has already been cleared by French authorities.

While Mr Michael Meyer, Emess chairman, said he is satisfied with present management, a new president, Mr M. Guy Cervellini, has been appointed. Mr Cervellini was president of three French concerns owned by GTE Sylvania, the US electrical products group.

"We should see quite a considerable increase in market penetration," Mr Meyer said.

The acquisition is part of Emess' planned expansion in Europe. Last year, it was outbid by Thorn EMI for the French Europhane-Holophane grouping, a larger light fittings maker than Eclatec.

Victoria Carpet up to £2.8m and raises dividend by 40%

GROWTH HAS continued apace at Victoria Carpet Holdings, with pre-tax profits advancing by 42 per cent. Furthermore shareholders are to receive a 40 per cent increase in the dividend.

The directors said they believed that the company was likely to be less affected than others by any downturn in consumer spending, and they viewed the future with continued confidence.

In the year ended March 31 1989, turnover moved up 21 per cent to £39.53m (£32.8m) while the profits came to £2.75m (£1.94m). Earnings were 27.86p (17.86p) and the dividend is raised to 4.25p (3.05p).

New plant extensions in the UK and Australia were progressing, the directors stated.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AB Consultants ....fin	3.5	–	–	6.5	-
Benson's Crisps§.....int	0.6	–	0.5	–	1.75
Black Arrow ....fin	2.75	Oct 2	2	3.75†	2.75
Clarke Nickolls ....int	2	Sept 1	1.35	–	4.5
Cray Electronics.......fin	3.25	Nov 22	2.5	4.302†	3.309
Denmans Elect § .....int	1.65	–	1.5	–	4.55
Dewhurst ....int	0.7	Oct 2	0.58	–	1.74
Elbief ....fin	1.34	Oct 21	1.218	1.925	1.75
Electronic Mach ....int	0.3	–	0.3	–	1
GUS ....int	21.5	–	19.5	31.5	28.5
Green Property ....int	1.2ф	–	1.1	–	3.1
River and Merc ....int	1.5	–	1.4	–	6.55
Stanley Leisure ....fin	2.75†	Sept 18	2.1	4.5	3.6
Sutherland § ....fin	1.15	–	0.77	2☆	1.1
Victoria Carpet ....fin	4.25	Oct 6	3.05	4.25	3.05

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. фIrish pence throughout. ☆For 16 months.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Greenbriar, Sycamore.

Finals- First Spanish Investment Trust, Heritage.

FUTURE DATES

Interims-	
Bullough	Aug. 3
Johnston Press	Sept 21
Kuala Kepong	July 30
Laing Properties	Sept 12
Rights & Issues	July 24
Rotork	Aug. 10
Sedgwick	Sept 5
Finals-	
Abbey	Aug. 3
Border TV	Aug. 2
Dale Electric	Aug. 3
Gibbs Mew	July 28
Maxwell Communication	July 31
Northumbrian Foods	July 27

Heated exchange disrupts Yale and Valor's annual meeting

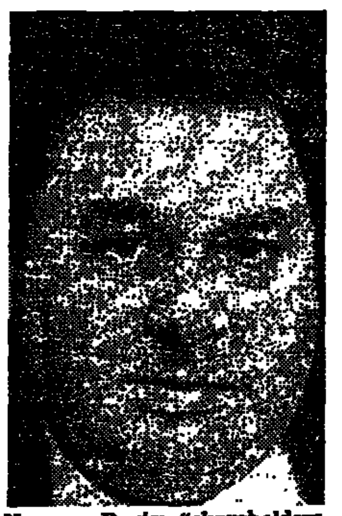
By John Thornhill

TRUE TO FORM, Mr Norman Davis, the former non-executive finance director of Yale and Valor, vigorously questioned his erstwhile colleagues at the company's annual meeting yesterday.

In a long and sometimes acrimonious meeting, Mr Davis grilled the board of the heating and security group about the company's accounts and resolutions. He also made two resolutions of his own calling for the appointment to the board of a non-executive director with financial expertise.

Mr Davis left Yale & Valor in May 1988 after disagreements with Mr Michael Montague, the executive chairman of the company and friend of 30 year's standing.

Unsweetened by the £400,000 he received in compensation, Mr Davis has since waged a crusade against the board at the last two annual meetings. Last year's AGM was held in good humour but this time the affair had a sharper edge.



Norman Davis: "shareholders are an apathetic bunch"

Some shareholders were clearly dismayed at Mr Davis's assault yesterday. One called for him to be limited to asking only two questions "so that he does not bore the rest of us rigid", while later, a lady shouted in stentorian voice: "For pity's sake will you stop!"

But stop he did not. Standing in a corner of the room, occasionally swivelling round to fix shareholders in his sight over the top of his glasses, he continued to fire a barrage of questions throughout the one-and-a-half-hour meeting.

Mr Montague was clearly expecting the assault and immediately consulted a legal adviser about Mr Davis's first question, which concerned the rotation of directors and Mr Montague's position as executive chairman after the appointment this spring of Mr Jeoff Samson as group managing director.

The lawyer advised it was not an appropriate question and Mr Montague ruled it out of order.

Mr Davis asserted the right of shareholders to question the board and bitterly responded: "It might be better for the legal adviser to take the chair" – a comment which was met by cries of protest.

At periodic intervals, Mr Davis then proceeded to ask about the directors' emoluments, the reserves, and deficiencies in the accounts.

One of the directors on the podium intervened: "If you want some basic instruction in accounting principles you should go to a tutor."

Mr Davis tartly rejected this advice from someone he described as "less than numerate."

Mr Montague suggested that annual meetings were for shareholders to help their company and if Mr Davis was dissatisfied then he should sell his shares. Mr Davis insisted that he was trying to be helpful and had the company's best interests at heart.

Michael Montague: "Mr Davis should sell his shares"

But Mr Davis particularly objected to a special resolution to raise the company's borrowing powers to £500m. This was a device by the board to circumvent shareholder approval for possible acquisitions, Mr Davis alleged. But after a poll, this resolution – like all the others proposed by the board – was easily carried.

Mr Davis predicted (correctly) that he would not succeed with his own resolutions but said: "Shareholders are an apathetic bunch and institutions do not like to rock the boat, but I know there is a lot of disquiet. I believe that if we can get a stronger board this company can become a very big and a very strong company."

Having weathered the storm, a somewhat ruffled Mr Montague reported on the current trading position of the company. Yale & Valor was trading well, some major contracts had been secured in the past few months, and overseas business in 135 countries was extremely good, he said.

COMPANY NEWS IN BRIEF

BRITISH KIDNEY Patient Association Investment Trust saw net assets rise to 307.8p at June 30, against 272p a year earlier. Net revenue for the six months to the end of June was £42,313 (£37,065) for earnings per share of 6.85p (6p). An interim dividend of 4p (3.5p) has been declared.

DAVENPORT VERNON, motor dealer: In first results since joining the market in March, pre-tax profits were £1.07m (£1.05m) on turnover up to £42.92m (£35.54m) in six months to March 31. Earnings static at 7.2p. No interim dividend but single payment of 3.5p likely for year to September 30.

DENMANS ELECTRICAL, the USM-quoted electrical goods wholesaler, lifted turnover from £13.99m to £17.73m for the six months to end-March and pre-tax profits amounted to £1.09m (£847,000). Interim dividend 1.65p (1.5p) and earnings per share 16.2p (12.4p). Mr Arnold Denman, chairman, sounded a cautious note, stating "confidence that our markets will maintain their growth is diminishing".

DEWHURST, maker of electrical control equipment, reported pre-tax profits up 25 per cent from £315,000 to £395,000. Turnover in the six months to April 2 was £3.17m (£3.06m). After tax £150,000 (£110,000), earnings per share 3.41p (2.85p). Interim dividend 0.7p (0.58p).

DRAYTON FAR EASTERN Trust reported net asset value of 466p at June 30, compared with 363.5p at December 31 1988. In order to reduce disparity the interim dividend is being raised to 0.5p (0.4p) from earnings per share of 1.223p (1.35p). Net revenue for the six months to the end of June was £335,000 (£229,000).

NEWGATEWAY has continued to buy shares in Gateway, the food retail group. Yesterday it disclosed purchases of 364,000 shares at 231p made on Wednesday. This takes its stake to 31.5 per cent and parties acting with it hold a further 3.5 per cent. Newgateway was defeated in its bid for Gateway by Isosceles.

POWELL DUFFRYN is buying the Standard Railway Wagon Company for up to £2.5m cash. Its turnover is £10m. At the annual meeting the chairman told shareholders that he did not expect the current UK dock labour problems to significantly affect the year's results. However, the New York strike has had an impact on the first quarter results of the bulk liquid storage business. Fuel distribution was quiet but engineering order books were generally stronger than last time. Some margins were tending to tighten.

TAMARIS has agreed to buy Lustre Investments, a private company which owns and operates Westbury House, a residential care home in east Hampshire, at an effective overall cost of £2.6m.

THROGMORTON USM Trust lifted after-tax income from £253,000 to £400,000 in the first half of 1989. Earnings per share more than doubled from 0.89p to 1.9p. Gross income amounted to £757,000 (£571,000). Expenses and interest took £223,000 (£208,000) and tax £134,000 (£110,000).

WATERMAN PARTNERSHIP Holdings has reached an agreement to acquire Bradshaw Buckton & Tonge, a civil and structural consulting engineer, and BBT Leasing for a maximum consideration of £780,000.

WYEVALE Garden Centres has bought Romney Marsh Garden Centre for a cash consideration of £500,000 plus stock at valuation.

YEARLING BONDS totalling £0.25m at 13⅞ per cent, redeemable on July 25 1990, have been issued by the following local authority: West Lancashire District Council 0.25m.

British Bloodstock

The British Bloodstock Agency said it incorrectly reported pre-tax profits for the year to March 31, 1989.

The correct pre-tax profit was £449,805. The company had said pre-tax profits were £499,805, down from £563,000.

A clerical error made by advisors to the company was responsible for the incorrect information. All other figures in the statement were correct.

هكذا من الاجل

The Phildrew Ventures Equity Fund is one year old.

High time, we felt, to take stock of our achievements and to invest in a timely celebration of our own.

In the last twelve months, the Phildrew team has invested £42 million in seventeen transactions.

As lead investor, Phildrew has underwritten nine funding packages totalling £280 million and confirmed its standing as an innovative arranger of major unquoted equity transactions.

Facts and figures aside, Phildrew has helped a great many management teams achieve their goals of independence and shared ownership in a wide variety of businesses.

Businesses like SG Industries Ltd, where Phildrew led the £67 million management buy-in.

Or Norwich Corrugated Ltd, who relied on Phildrew to coax, cajole and champion their £36 million management buy-out as lead investor.

Or UCI Group Ltd, who invited Phildrew to lead a complex £54 million management buy-out involving seven separate companies and a challenging timescale of just seven weeks.

To these and fourteen others, we've only one thing to say.

Many happy returns.

PHILDREW VENTURES
Creative Capital For Management Buy-Outs

TRITON COURT, 14 FINSBURY SQUARE, LONDON EC2A 1 PD. TELEPHONE ; 01 - 628 6366

PHILDREW VENTURES ADVISERS - Partners : Charles Gonszor . Timothy Hart . Ian Hawkins : Ron Hobbs . Robert Jenkins . Frank Neale . Philips & Drew Ventures Limited

UK COMPANY NEWS

Cray shares fall as profits on property lift outcome

By Clare Pearson

SHARES IN Cray Electronics, the electronic equipment manufacturer, yesterday fell 18p to 140p as City analysts again expressed disappointment over the group's accounting practices.

Pre-tax profits advanced 30 per cent to £17.03m in the year to April 29, but analysts were disappointed to see property profits of £2.99m (£636,000) and the capitalisation of £3.68m (£1.36m) in product development expenditure.

Three of the acquisitions made during the year were merger-accounted, and the final one, made in February, was acquisition-accounted.

Mr Bernard Collins, chairman, said Cray had been repositioning itself to address higher value markets during the year and this had required an increased level of investment in capitalised new product development. But he believed this had now peaked.

Net borrowings at the year-end were down to about £18.8m, or 50 per cent of shareholders' funds. The reduction in gearing was due to completion of large projects and the establishment of sale and leaseback arrangements on certain new facilities. Interest payable rose to £3.33m (£1.01m).

The communications division performed particularly well, including Marcol, the software house acquired for £22m in April 1988. On the defence side, Mr Collins expected Cray to have pulled out of subcontractor work by the end of this year. He saw considerable potential abroad for prime contractor orders.

By division, communications achieved pre-tax profits of £5.41m (£3.74m), defence systems, helped by completion of a large order, £1.09m (£280,000), instruments and control, held back by relocations, £5.22m (£5.54m), services £3.17m (£2.95m), and technology, helped by acquisition, £3.11m (£953,000).

Turnover rose by 29 per cent to £112.24m (£86.97m), and earnings per share by 18 per cent to 12.13p (10.26p). The recommended final dividend is 3.25p making 4.302p (3.809p) for the year.

● **COMMENT**

Cray yesterday really excelled itself with a set of results constructed in an even more eyebrow-raising fashion than the City has grown to expect. At least this time it took just a glance at the notes and a few sums to work out that in underlying terms profits from the businesses actually fell; but then Mr Collins said it was a year of consolidation. There are a few promising products coming through on the advanced materials side, and in the defence division a fiendish-sounding vehicle used by Third World countries for crowd control is said to have exciting prospects. Estimates for this year vary, but assuming less of a boost from property profits and development capitalisation, Cray may make £18m next year for a p/e of over 10. Setting its good prospects against its unnerving accounting policies, this may be about right.

Stanley Leisure shows 51% advance

THE STANLEY Leisure Organisation, which operates betting shops, casinos and snooker clubs, reported a 51 per cent advance from £3.38m to £5.09m in pre-tax profits for the year to April 30 1989.

It also announced the purchase of its ninth casino, the Royal Chinese Casino Club in Edinburgh, for £1.26m.

Mr Leonard Steinberg, chairman, said the five casinos purchased from Brent Walker in March had settled in well and decoration programmes for all units were in hand. The consideration for Royal Chinese comprises £1.02m cash and £240,000 shares. The agreement is conditional on the transfer of the casino licence scheduled for July 31.

In racing, the number of shops trading increased from 194 to 250 with the major acquisitions of Pat Whelan, Bill Taylor and Hamblin Racing accounting for 45 outlets. The acquisitions provided £499,000 of the year's profit of £3.62m (£2.48m).

The current year had seen the division make a satisfactory start, with turnover and margins at "acceptable levels", Mr Steinberg stated.

Casino profits rose from £1.49m to £2.27m. All three existing units performed well and the new ones provided a satisfactory return in the short period to the year-end.

However, the snooker/leisure side did not perform strongly. Considerable improvements have been made to all clubs and they were generally trading at a higher level in the current year.

Turnover was 45 per cent ahead to £107.25m (£74.12m). Earnings were 17.14p (13.03p) and the final dividend is 2.75p on increased capital for a total of 4.5p (3.6p).

The properties of new US interest

Paul Cheeseright on the implications in JMB's offer for Randsworth

THE DISCREET auction which led JMB Realty Corporation to make a recommended £258m offer for Randsworth Trust could mark the start of a new flow of investment funds into the UK property market.

In recent months there has been considerable speculation about US investors moving into the market. JMB's move, following the involvement of Prudential-Bache in the takeover earlier this week of Imry Merchant Developers, suggests a firm base for the speculation.

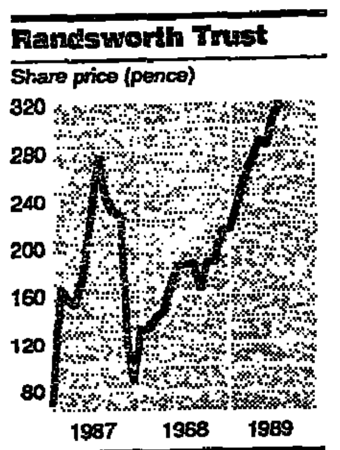
US investors, as opposed to developers, have traditionally taken little interest in Europe. By contrast, there has been a steady flow of UK, German and Dutch capital into the US. But conditions are now changing.

"There is some realisation [in the US] that the markets are coming together. In the US, capitalisation rates have tended down. In the UK they have been stable," said Mr Theodore Stern, president of the JMB Real Estate Group.

"The UK is a market of opportunity when you compare the investment returns with those of the US," he added.

"I think you'll see a flow of capital into this market."

For JMB itself, the move is its second into the international market. In 1987 it bought Cadillac Fairview in Canada. At the same time it started to look for acquisitions in the UK. And it comes to the market with considerable power.



JMB owns properties both on its own behalf and for US financial institutions – worth some $20bn in total. It is actually using a bridging facility from Citibank to finance the Randsworth takeover, but this will be refinanced at least in part from investment by clients with which it is already involved.

In making the bid for Randsworth, JMB is following a policy which has worked well enough in the US. It buys properties in areas where the prospects for future development are limited. It thus prefers to buy in Beverly Hills rather than Chicago. In the same way it was attracted to the Randsworth portfolio because its portfolio is in the West End of London rather than in the City.

And because property investment companies have been trading at a discount to their asset value, JMB preferred to make a corporate acquisition rather than go down the painstaking and probably more expensive route of buying individual properties.

As it is, the JMB bid is pitched slightly above the asset value of Randsworth. Hence it is relatively more expensive than the price Wereldehave paid for Peachey or Peel Holdings paid for London Shop.

It is not directly comparable with the Wingate consortium's takeover of Imry Merchant Developers, because Imry's asset value did not reflect fully the development potential of its portfolio.

If the bid really marks the start of a wave of US investment, then it will come in the wake of a movement of funds from Japan, Scandinavia, and to a lesser extent, the Middle East.

Indeed it has been the presence of foreign buying which has underpinned central London prices.

There has been the piquant phenomenon of a withdrawal from the direct property market, at least in the City, of the UK institutions and their replacement by foreign interests.

This switch is itself a reflection of the gathering domestic view that the present cycle of the property market is turning down.

So far, however, there is every evidence that the foreign investors are taking a long view – longer indeed than many of the UK institutions – of the property market.

Certainly JMB intends to come back for more and Mr Andrew Nichols, the Randsworth chairman who will stay under JMB ownership, was talking of corporate acquisitions. He expects, and he is not alone, that there will be property companies in trouble over the next 12 months.

Randsworth itself, of course, has had a rather chequered career. If it has not been in trouble, then it has seen it coming. It has been a darling of the market. It has seen its share price savaged. Latterly, it has found a new market equilibrium.

Before the 1987 equity market crash, it embarked on a dizzy series of acquisitions. Afterwards it had to undertake a rapid sales programme to reduce its borrowings. Its gearing now is around 90 per cent but, compared with heady days of 1986-87, it is a mature property investment company.

USM quote for Invicta Sound

By Vanessa Houlder

INVICTA SOUND, a Kent-based independent radio company, is joining the USM through an introduction.

Invicta's flotation, which will be followed by that of Yorkshire Radio Network next month, reflects renewed interest and growth in the quoted radio sector. Companies have been attracted to the market by the recent expansion in advertising revenues and the prospect of a shake-out following deregulation.

The purpose of Invicta's flotation is to enhance its reputation and give it access to wider sources of capital that will allow it to take advantage of new business opportunities.

In particular, the company envisages mergers with other radio stations in the south east which would further increase its appeal to advertisers. It also plans to expand in France, where it believes radio is underdeveloped. It has invested in Continental FM, a commercial radio station based in Boulogne.

The business was started in October 1984 but did not begin making profits until the year to September 30 1988 when, with the benefit of stricter operational and financial controls, it made pre-tax profits of £453,000. For 1988-89 it has forecast at least £950,000.

Invicta has been sponsored by Charterhouse Bank. Dealings in its 8.65m shares will start on July 27.

New pensions business at buoyant levels

By Eric Short, Pensions Correspondent

FURTHER EVIDENCE of the personal pensions sales boom earlier this year and the success of the Government's pension reforms came yesterday with new business results for the first six months of this year from Britannic Assurance and London and Manchester.

Britannic reported virtually doubled annual premiums on pension business from £3.68m to £6.59m and single premium pension business rising from £160,000 to £4.23m.

In addition, the company has taken credit for £28.05m of contributions due from the Department of Social Security in respect of rebate-only personal pensions used to contract-out of the State Earnings-Related Pension Scheme (Serps).

Since the introduction of personal pensions a year ago, Britannic has issued 135,000 policies which it estimates gives it some 5 per cent of the market.

This buoyant pensions business comes at an opportune time, offsetting a decline in sales in other types of business.

New annual premiums on conventional assurances dropped to £3.96m (£4.68m), with over half of the decline attributable to a fall in mortgage related business. Sales of unit-linked life bonds dropped from £3.85m to £2.56m.

However, after a dull start to the year, industrial life business sales improved in the second quarter with annual premiums reaching £10.93m against £11.05m last year.

A similar new business pattern is recorded by London and Manchester Group, with new annual premiums up 11.4 per cent to £21.43m (£19.23m) and single premiums up 18.6 per cent to £28.51m (£24.04m).

In the pension division, new annual premiums so far recorded rose 6 per cent to £5.8m and single premiums improved 70 per cent to £9.6m.

However, L and M is one of those life companies which does not record contributions due from the DSS until they are received, even though the business has been completed.

The Life Broker division recorded a 30 per cent rise in new annual premiums to £9.1m offset by a 46 per cent drop in singlepremiums to £6m.

Industrial branch premiums from the home service divisions showed a 2 per cent decline to £3.2m, with ordinary branch new annual premiums down 5 per cent to £3.3m and single premiums down 2 per cent to £2.7m.

The group's residential and commercial mortgage department was hit by the dull house market and residential mortgage advances were 44 per cent lower at £62m.

Clarke Nickolls maintains strong progress

Strong progress and growth has continued at Clarke Nickolls & Coombs, the property investor and developer. In the first half of 1989 pre-tax profit advanced 22 per cent to £3.05m.

That compared with £2.5m last time and included £1.4m (£1.5m) from the sale of investment properties. A number of new investment properties were added to the portfolio and gross rentals exceeded £1.3m (£1m), said Mr Eric Lyall, chairman.

After a lower tax charge on the disposal, net profits rose nearly 33 per cent to £2.29m. The interim dividend is lifted to 2p (1.35p) and shareholders will receive a one-for-one scrip issue.

The directors are seeking authorisation to increase the company's borrowing base by the issue of up to 10m £1 redeemable preference shares, as and when conditions are appropriate.

Static year for Elbief

A RELATIVELY static annual profits performance was yesterday reported by Elbief, the Birmingham-based manufacturer of photograph frames, clocks, mirrors and leathergoods accessories.

Over the 12 months to April 30, pre-tax profits amounted to £510,000 (£492,000), on turnover ahead from £4.41m to £4.82m.

Mr Samuel Prais, chairman, said sales of clocks and mirrors had registered strong growth both at home and in export markets, but sales of handbag and leathergoods accessories, while maintained in the UK, lost ground abroad.

Earnings per 10p share increased from 2.51p to 2.7p and the recommended final dividend of 1.24p gives a total of 1.925p (1.75p) for the year.

AB Consultants on target

ASSOCIATED British Consultants earned pre-tax profits of £1.88m in the year ended April 30 1989.

That compared with the £1.6m forecast in February's flotation and with a pro-forma £785,000 for 1987-88.

The company is the parent of Kenchington Little, the building and civil engineering consultants.

Mr Malcolm Tappin, chairman, said demand for consulting services in the construction industry had remained high, and order books were at a record.

"With the expanding spread of services we provide to our clients we are well positioned for the 1990s", he claimed.

Turnover reached £8.98m (£5.8m) and operating profit was £1.66m (£767,000). Earnings doubled to 17p (8.5p) and the final dividend is 3.5p for a total of 6.5p.

Benson's Crisps up 27% despite fierce competition

In spite of fierce competition, Benson's Crisps pushed up half-time profits from £252,000 to £321,000, or by 27 per cent.

Mr Malcolm Jones, chairman, said the growing success of new snack product introductions helped weather the competitive pressure. "In our traditionally higher second-half profit period we are well placed to maintain our profit growth", he claimed.

Turnover in the six months to May 27 rose 24.5 per cent to £8.17m (£6.57m). Earnings came to 2.8p (2.2p) and the interim dividend is 0.8p (0.5p).

Mr WG Brant, a founder shareholder and director of this USM-quoted company, plans to resign at the end of the year to pursue his own business interests. He will retain a close association as a consultant.

Gold Fields sells energy shares ahead of takeover

By Vanessa Houlder

CONSOLIDATED Gold Fields, the subject of an agreed bid from Hanson, has sold its holding of 1.19m shares in British-Borneo Petroleum Syndicate, representing 26.41 per cent of the capital.

The shares have been placed by Cazenove with a number of their institutional clients.

British Borneo has recently changed its policy from one of investment to active participation in oil exploration. A spokesman for Gold Fields said that it was not unhappy with the changing role but it did not feel that the investment was likely to appeal to Hanson.

Gold Fields added that it was examining the possibility of further disposals of energy investments.

Mr Alan Gaynor, managing director of British-Borneo, said that he was delighted with the sale. It lifted the uncertainty over the stake that had existed since Minorco's bid for Gold Fields, he said.

Black Arrow expands to £4.61m

Black Arrow Group, the office furniture distribution and contracting company, reported taxable profits 31 per cent higher at £4.61m, against £3.51m, for the year to end-March.

The chairman said that as the immediate economic outlook was uncertain he thought it unwise to predict confidently substantial growth in the present year.

Office furniture manufacturing, distribution and partitioning provides the major part of the business with turnover increasing from £17.15m to £23.81m.

Leasing and instalment finance turnover was £2.17m (£1.87m) and retail and franchising increased to £950,000 (£617,000).

The tax charge was £1.58m (£1.16m) and minorities took £234,000 (£160,000).

From earnings per 20p share of 11.47p (9.28p) the directors propose an increased final dividend of 2.75p (2p) to make a total for the year of 3.75p (2.75p).

British Gas and EXCOL discoveries

By Steven Butler

British Gas yesterday said it had found oil in Ecuador in the southern Oriente Basin jungle area. The well flowed at a rate of 1,934 barrels a day, although further testing would be needed to determine the significance of the find.

British Gas acquired operatorship of the area when it purchased the international oil and gas assets of Tenneco last year in an auction. British Gas has a 38 per cent interest in the well.

The Exploration Company of Louisiana, the London-listed oil and gas exploration company, said yesterday it had made a gas find off the coast of Louisiana in the Gulf of Mexico.

A well in 20ft of water encountered gas at two levels. One, at a depth of 12,500ft tested at a rate of 2.648m cu ft a day and 77 barrels of condensate, a light hydrocarbon.

The company has a 26.125 per cent interest in the prospect.

PUBLIC WORKS LOAN BOARD RATES

Effective July 19

Years	Quota loans repaid by EIP†	Quota loans repaid At†	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At†	Non-quota loans A* repaid at maturity§
1			11¾			12½
Over 1 up to 2	11⅝	11⅝	11½	12⅝	12⅝	12¼
Over 2 up to 3	11½	11½	11	12½	12½	11¾
Over 3 up to 4	11⅜	11¼	10⅞	12⅜	12¼	11⅝
Over 4 up to 5	11⅛	11	10¾	12⅛	12	11½
Over 5 up to 6	11	10⅞	10¾	11½	11⅜	11¼
Over 6 up to 7	10⅞	10⅞	10¾	11⅜	11⅜	11¼
Over 7 up to 8	10⅞	10¾	10⅝	11⅜	11¼	11⅛
Over 8 up to 9	10¾	10¾	10½	11¼	11¼	11
Over 9 up to 10	10¾	10¾	10¼	11¼	11¼	10¾
Over 10 up to 15	10⅝	10⅜	9⅞	11⅛	11⅛	10⅜
Over 15 up to 25	10	9¾	9⅝	10½	10½	10⅛
Over 25	9⅝	9½	9⅜	10⅛	10⅛	9⅞

*Non-quota loans B are 1 per cent higher in each case than non-quota loans A. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

SHARE STAKES

CHANGES in share stakes announced recently include:

Airflow Streamline - JJA Smith and BW Sutherland, both directors, jointly as trustees, have increased their total holding to 893,000 shares (10.45 per cent) with the purchase of 500 shares.

Amersham International - Clerical Medical Investment Group holds 5.28 per cent or 2.7m shares.

Anglo Irish Bank Corporation - stakes of more than 5 per cent are held by Scotcom Nominees M Account with 12.64 per cent (7.57m shares), Alibank Nominees Account 123 with 6.68 per cent (4m shares) and Alibank Nominees BA Account with 5.85 per cent (3.5m shares).

Beattie (James) - Funds under management of Scottish Amicable Investment Managers now hold 3.21m A restricted voting shares (7.02 per cent).

Benlox Holdings - Pegram Investments, which is ultimately controlled by trusts of which family of Paul Bloomfield are beneficiaries has bought 5.4m shares from Fortlodge, which is controlled by Mr Bloomfield, cutting its stake to 10.35m. He and his family remain interested in 15.75m shares (29.4 per cent).

Booth Industries - Timothy Parker has cut his holding to 200,000 shares (5 per cent) following the sale of 100,000 shares.

Bostrom - Equity Capital for Industry holds 1.22m shares (10.6 per cent) and Fenchurch Nominees have 1m shares (8.7 per cent) following the sales of 232,500 shares and 500,000 shares respectively.

Brent Walker has bought in 250,000 of its shares at 367.5p bringing total bought to 4.23m.

British Mohair - Lawrie Group has bought 140,000 shares taking its holding to 3.57m (26.85 per cent).

Cambridge Electronic Industries - Confederation Life now holds 2.21m shares (5.17 per cent).

Christies International - Annoplace, a Carisbrook Holdings (UK) subsidiary, has increased its holding to 10.9m shares (7.2 per cent).

Clarke, Nickolls & Coombs - Channel Hotel Properties now interested in 993,400 shares (9.61 per cent).

Coloroll Group - CIN Industrial Investments has raised its holding to more than 5 per cent and is interested in 9.95m shares.

Commercial Union - Adelaide Steamship and related interested parties have raised their aggregate holding to 55.1m shares (13 per cent).

Cray Electronics - Scottish Amicable Investment Managers hold 4.86m (5.54 per cent).

Electronic Data Processing - Richard Jowitt, managing director and chief executive, has raised his holding to 1.03m shares (11.92 per cent) with the purchase of 10,000 shares.

Exmoor Dual Investment Trust - Harris Allday Lea and Brooks has acquired 231,000 (5.14 per cent) of the zero profits shares on behalf of a partner and discretionary clients.

First Charlotte Assets Trust - Edward Nasser has sold 1.45m shares and now holds 5.67 per cent.

Geevor - T&N has acquired 1m shares (5.06 per cent) previously held beneficially by pension funds of T&N.

Hambros Advanced Technology Trust has sold its remaining 1.9m Racal shares and the rest of its holding in Alphameric.

Hazlewood Foods - J. Lowe, a director, has disposed of 1.5m share leaving his holding at 6.13m (2.5 per cent).

Headlam Group - Futura Holding has acquired 497,000 shares (4.99 per cent).

Herrburger Brooks - Simba Investments has raised its holding to 80,000 shares (6.12 per cent) with the acquisition of 3,375 shares.

Heywood Williams Group - Scottish Amicable Investment Managers hold 5.43m shares (10.37 per cent).

Hicking Pentecost - J. Lister and J.Carlsen through Euro-investments and Legibus Ten have acquired 125,000 shares and now hold 1.42m (25.04 per cent). Manchester and London Investment Trust holds 325,000 shares (5.1 per cent) after the acquisition of 10,000 shares.

Hunting Gibson - Hunting Investment has acquired 3m shares (13.45 per cent) at 280p and now holds 12.44m (55.78 per cent). 3i disposed of 3m shares cutting its holding to 3.76m (3.39 per cent) held in the name of 3i Investment and London Atlantic Investment Trust.

Life Sciences International - As a result of transfer of shares Robert Fleming Asset Management holds 19.71m shares (18.12 per cent).

Lincat Group - JMR Craddock, a director, has bought 35,000 shares at 140p taking his holding to 1.75m (25.9 per cent).

London American Ventures Trust - Amelia Holdings Partners have bought 500,000 shares and now have an interest in 10.47m shares (11.42 per cent).

London Finance and Investment Group - P. Latilla-Campbell now holds 1.38m shares (5.537 per cent) following the acquisition of 50,000 shares.

Moss Bros - Nigel Gee has cut his holding to 993,000 shares (6.09 per cent) following the disposal of 24,000 shares.

MTM - RS Lines acquired 50,000 at 222p taking his holding to 8.14m (19.48 per cent) beneficially and 860,000 shares (2.06 per cent) non-beneficially.

Pegasus Group - Scottish Amicable has a total of 384,000 shares under management.

Platon International - Nationwide Holdings has sold 225,000 shares cutting the holding to 307,000 shares (4.61 per cent).

PML Group - On July 10 number 1215908, formerly Hanover Grand, sold its entire holding of 3.38m shares (7.7 per cent) at 16.5p. On same day JC Lewis acquired 6.02m shares (13.7 per cent) at 16.5p held in the name of Transamerica Express Finance Services Inc.

Polly Peck - Restro Investments, which is beneficially owned by Asil Nadir, chairman of Polly Peck, has bought 1m shares at 302p and a further 500,000 shares at 301p. Its total holding is now 82.2m. Mr Nadir is now interested in 65.11m shares (25.18 per cent).

Property Security Investment Trust - Scottish Amicable Nominees have bought 6.28m shares (7.51 per cent).

Royal Insurance - Jomet Pty, which is controlled by Adelaide Steamship Company, in interested in 3.35m shares constituting an increase in the interests of Adelaide previously notified to 2.08m, an increase to 6.67 per cent.

Scottish & Newcastle Breweries - TJ Hemmings with other relevant interests is interested in 20.42m shares (5.25 per cent).

Scottish Television - London Uberior (Las Group) Nominees and Royal Bank of Scotland Edinburgh Nominees have disposed of 90,000 shares reducing their holding to 870,000 sahres (5.97 per cent).

Somerville (William) - NCB Trust has acquired 1,700 shares and now holds 149,000 shares (23.23 per cent). IEP Securities is the beneficial holder of 158,000 (24.73 per cent).

Stonehill - Ensign Trust has acquired 1.99m shares taking its holding to 24.9 per cent (4.99m).

Thorntons - PN Thornton has disposed of 449,000 shares and holds 5.07m (8.06 per cent).

Tibbet & Britten Group - Investors in Industry now holds 4m shares (12.2 per cent).

Wholesale Fittings - Scottish Amicable Investment Managers have a total of 1.29m shares (9.16 per cent) under management.

Wilding Office Equipment - TH Wilding has raised holding to 1.57m (9.8 per cent) following acquisition of 68,000 shares at 143p.

Wyndham Group - Prudential Corporation raised holding to 5.97 per cent with acquisition of 335,000 shares.

York Waterworks - Equity and Law Life Assurance Society has bought 1,830 4.9% consolidated ordinary stock and 5,300 3.5% ordinary stock taking holdings to 38,525 of the 4.9% and 82,225 of the 3.5%, representing 19.99 per cent of the voting stock.

Soyabean futures plunge as crisis contract expires

By Deborah Hargreaves in Chicago

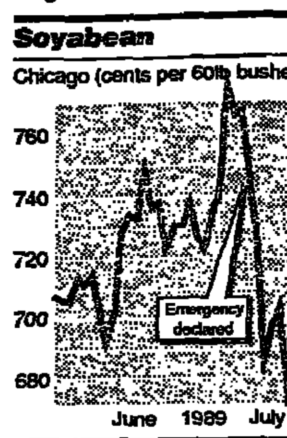
PRICES PLUNGED yesterday in the closely-watched July soyabean futures contract at the Chicago Board of Trade. Futures prices have reeled as traders rushed to liquidate their positions after the exchange declared an emergency in soyabeans last week.

After the CBT became concerned that an attempt was being made to corner the soyabeans market, it issued a liquidation order last week demanding that all traders reduce their positions in July beans to 1m bushels or less by the expiry of the contract at the close of business yesterday.

The exchange was concerned that, without the liquidation, its warehouses would not hold enough beans to make deliveries against July futures.

The liquidation has left the market extremely thin and, in the last few days, prices have been easily pushed in one direction or the other. A 35-cent drop in price at the opening of yesterday's market followed a 32-cent boost on Wednesday.

Soyabean futures recovered slightly as trading continued yesterday, but the market remained extremely volatile.



Traders holding buy positions at the end of trading yesterday would be obliged to take delivery of soyabeans.

The CBT's liquidation order, which caused a furore among futures brokers and market users both in the US and abroad, was directed at Italy's Ferruzzi Finanziera. The Italian grain and chemicals group controlled some 23m bushels of beans before liquidation.

Many traders believe the liquidation order resulted from a feud between Ferruzzi and US grain giant, Cargill. However, Cargill has denied putting any pressure on the CBT.

Ferruzzi failed to win a court injunction to stop the CBT's action, but is threatening legal action against the exchange for damages. The situation could flare up again in August or September since Ferruzzi is widely believed to be rolling its July contracts ahead a month.

"The whole thing is down to the point where it's become a grudge match," one trader said

Many traders are also speculating that a repeat of the situation in August will force prices up again.

The CBT has come in for some harsh criticism about its interference in free markets. Ironically, among the first letters of complaint to arrive in Chicago came from Soviet and Chinese trading groups. The exchange was set to defend its action at Congressional hearings yesterday.

Dairy farmers 'cutting costs'

By Bridget Bloom, Agriculture Correspondent

THE NUMBER of full-time hired workers on UK dairy farms has fallen by nearly 30 per cent since the introduction of milk production quotas in 1984, as farmers have cut costs in an effort to make their businesses more efficient.

According to a survey by the Milk Marketing Board, cost cutting has also been evident in feeding, with farmers spending 40 per cent less in real terms on purchased feedstuffs.

Many farmers have stopped buying such compounds and started mixing their own. Some 90 per cent of all farmers now rely on silage as their basic feed.

According to the survey, one of a series based on interviews with over 2,000 producers, dairy farms are declining at a much faster rate than are agricultural holdings in general.

However, although individual quotas have been cut by over 18 per cent from 1983-84 levels, average output per producer is 3 per cent higher than five years ago.

Milk production quotas were introduced in 1984 in an effort to curb production and thus the spiralling costs of the European Community's farm budget. They were the first of the common agricultural policy reforms to be introduced.

At the time, many observers predicted a dramatic exodus of dairy farmers but the MMB report makes clear this has not happened.

Among other trends it discerns is a move by dairy farmers to diversify their farming enterprise. Over three quarters of milk producing farmers now have beef enterprises as well and nearly half grow cereals.

The report shows a decline in hired labour on dairy farms of 27 per cent cent or some 13,000 workers over the last five years, compared with a 17 per cent decline in the number of farms.

Just over half of all hired job losses in agriculture came from the dairy sector. Total employment in the sector has dropped from 220,000 in 1968-69 to 102,000 now.

Permanent Producer Sample 1988-89. MMB Thames Ditton, Surrey.

Bond fails to acquire nickel mine

By Kenneth Gooding, Mining Correspondent

MR ALAN Bond, the embattled Australian businessman, seems to have lost his battle for the Philippines' Nonoc nickel mine and refinery.

Nonoc instead is likely to be bought by a group including the former owner, Mr Jesus Cabarrus, a Filipino businessman, and China's state-owned Non-Ferrous Construction and Development Corporation.

Mr Cabarrus owned Nonoc before the Philippine National Bank and the Development Bank of the Philippines seized it in 1984.

The mine and associated refinery, which used to supply about 6 per cent of western world output, have been closed since March 1986 when a strike shut down all operations.

Mr Ramon Garcia, head of the Philippines Asset Privatisation Trust (APT) told Reuter yesterday his organisation would sign an accord to sell Nonoc to Mr Cabarrus' group before the end of this month.

Another APT official said the group would pay either a minimum down payment of US$70 and another US$255m over six years or could opt to assume all the refinery's debts. The debts were not disclosed.

The price mentioned is in line with the US$325m offered in April by Mr Bond's private holding company, Dallhold. The APT accepted the offer but a local court, acting on a petition from Mr Cabarrus, disqualified the Australian company under a law requiring the purchaser to be 60 per cent Filipino owned.

Brazil confident of victory in coffee war

John Barham reports on the country's plans to capture a bigger share of the market

BRAZIL IS supremely confident of winning the coffee price war that has broken out following the demise of the International Coffee Agreement (ICA).

Mr Jose Morales Agudo, a bellicose Sao Paulo coffee farmer, clearly relishes the coming battle. "Now it is war," he says. "We face five or six years of difficulties, but we will survive. We will destroy half our competitors and take over the market."

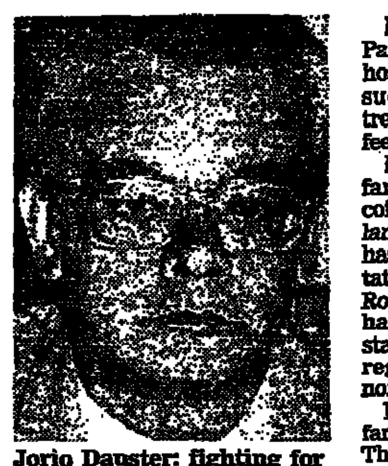
For 27 years, the ICA managed to share out a narrowing world coffee market among a growing number of producers while keeping prices artificially high. But in June the agreement collapsed, sparking off the present battle for market shares.

Prices have fallen by a third this year, to their lowest ever level in real terms and the Brazilians say smugly that only the most efficient will survive – Brazil grows more coffee at a lower cost than any of its competitors.

Mr Flavio Teles de Menezes, president of the Brazilian Rural Society, a farmers' group, points out that Brazil holds only 24 per cent of the world market, compared with 40 per cent in 1962. Many traders and farmers believe they can swiftly regain "their" slice of the market that they have increasingly shared with less efficient producers over the years.

After surviving two calamitous years of low prices and punishing drought Brazilian farmers are ready for a fight. "We have gone through years of low prices and low production," says Mr Osorio Nascimento, a Sao Paulo farmer. "The fall in prices has not affected us much, because producer prices have been low for such a long time anyway."

Farmers say that a combination of state sales taxes, federal export taxes, fees to the Brazilian Coffee Institute (IBC) and an overvalued exchange rate took half of gross export prices.



Jorio Dauster: fighting for IBC's survival

The consensus now is that low prices will weed out marginal producers. Stocks will be rapidly depleted and prices will then start climbing.

Brazilian coffee output is forecast at 23m to 22m bags (60 kg each) this year, the same as the last harvest, and traders believe that 17m to 18m bags will be of export quality. Next year, however, Brazil is expected to produce 40m bags, if all goes well.

The IBC, the government agency that makes and executes coffee policy, is being praised throughout the industry for its aggressive new export policies.

Mr Jorio Dauster, the institute's president, has halved export taxes to 6 per cent, abolished IBC export fees and encouraged traders to ship coffee quickly. He says a long term policy will be established in due course, after consultations with all sectors of the trade.

However, retrenchment is certain to be needed in Brazil as well as in smaller producing countries, and growers in a number of regions will find it increasingly difficult to survive. Mr Bruno Angst, a coffee trader, notes that lower prices are unlikely to increase demand and doubts that Brazilian exports will increase significantly.

Many areas in Sao Paulo and Parana states with poor soils, hostile climate and new crops such as soyabeans, rubber trees and oranges have lost coffee to new regions.

Mr Amaury Kelde, a Parana farmer, has uprooted 130,000 coffee bushes and turned the land over to cattle pasture. He has transferred his coffee plantation to the Amazon state of Rondonia. Many other farmers have moved to the central state of Minas Gerais and other regions in the east and north-east of the country.

Much depends on how long farmers can survive low prices. The IBC says there is no information on production costs, which would give an idea how well the country could endure a protracted price war.

Overall, Brazil produces an average of 10 bags per 1,000 coffee bushes. But officials point out that yields vary tremendously from one part of the country to another. In prime regions in Minas Gerais state, some farms have yields three times the national average. But in Parapua, a depressed region of Sao Paulo state, yields are 20 per cent below average.

Farmers in both regions complain that prices are already perilously close to production costs.

The IBC adds that in an inflation-ridden economy, external factors such as interest rates and exchange rates become crucial in determining prices and profitability. Recently, heavy devaluations have increased prices in local currency terms, taking the sting out of the sliding international price.

Mr Agudo, who owns a farm in Parapua, claims he can still make money selling coffee at 50 cents a bag. "The lower the price the better," he says, "because our competitors will have to quit sooner."

But others disagree. "A price war is bad for everybody," insists Mr Isaac Ferreira Leite, a farmer in Minas Gerais.

A Parapua agronomist estimates that coffee output in the region has fallen by 30 to 40 per cent over the past 10 years and warns that output could fall a further 30 per cent.

He notes, however, that small farms are the most likely to survive. Most of the region's farms are no larger than 25-50 hectares, making them too small to switch over to cattle farming and extensive crops.

The local co-operative is encouraging its 1,700 members to grub up 40 per cent of their coffee bushes, where possible, and replace them with rubber trees.

Exporters are complaining, meanwhile, that low prices are eating into their profits, which they claim amount to only 0.9 per cent of coffee sales. They are also demanding that the Government settle debts run up when a multi-million dollar attempt to manipulate the international market failed, and that the institute return some US$38m paid for IBC export rights on the eve of the ICA's collapse, which are now worthless.

There is deep disagreement over the future of the institute and the future shape of government policy. Mr Dauster has been gamely fighting for the IBC's survival. "We are preparing for a marathon," he says, "we have taken the first decisions. But long term policies will take longer to work out."

Key decisions include export tax levels, minimum prices and their adjustment to inflation.

Mr Dauster wants to encourage production of soluble coffee and export of roasted coffee, which are more profitable than exports of unprocessed green coffee which make up the bulk of exports.

There is also disagreement over the US$265m held by the IBC to manage coffee stocks and improve the quality of Brazilian coffee, and many are clamouring for the IBC's closure.

However, now that there is no longer an international mechanism to iron out price fluctuations domestic buffer stocks will be of greater importance than ever.

Predictably, farmers are the most reluctant to see the institute close. Some, like Mr Ferreira Leite are trying to build bridges with other countries. He and other farmers have held talks with Colombian producers in the hope of forming an accord to drive up world prices.

However, Mr Angst, the coffee trader, said all government controls should be dismantled. Now that coffee is a minor export it should be treated like any other commodity, subject to a minimum of government intervention. In 1988, coffee exports were worth US$2.23bn, equivalent to 6.6 per cent of total export revenues.

Few traders are under any illusion that falling prices will raise consumption. "It has been proved over and over again that there is little connection between coffee prices and coffee consumption," says Mr Angst. "After all, you can only drink so much coffee."

Many farmers hope, nevertheless, that falling prices will stimulate consumption. But they question whether importers will pass on the price savings to consumers.

Mr Renato Ticoulat, formerly a senior IBC official, said the US and European Community could come to the aid of Central American and African countries that depend on coffee for much of their hard currency incomes.

There is speculation that the Government may come under diplomatic pressure to establish a pact with other producing countries to regulate exports.

The defunct coffee accord has few supporters left in Brazil, however. "We used to be afraid of a sharp fall in prices," says Mr Nascimento, "but things are not too bad. Now we believe that in the long term a free market will be beneficial."

MacGregor lifts threat to potato board

By Bridget Bloom

BRITAIN'S Potato Marketing Board, which has been under threat of abolition for most of the last year, has been reprieved.

Mr John MacGregor, the Minister of Agriculture, announced yesterday that the Board, and the quota system which it operates for potato growers, is to remain in being. However, it must in future involve processors and other consumers in its decisions.

He also announced that while the Board will continue to get some government finance, the industry as a whole should play a greater part in paying for its operations.

The decision to reprieve the PMB came as a surprise to the industry since in response to a government consultative paper on the Board's future, published last September, only potato growers were in favour of its retention.

Potato processors and the large retailing stores which account for an increasing proportion of the £2.5bn potato and product market, wanted a free market, an option which the Government appeared initially to favour.

Mr MacGregor said yesterday that it had been decided to "retain the basic elements of the existing potato marketing scheme in view of the need to maintain stability in the potato industry at a time of major adjustment in the arable crop sector generally."

The decision, "subject to review in the longer term," would now involve detailed consultations with the industry before being finalised in September.

These will cover the exact way in which processors and retailers can be involved in market management decisions, as well as how the industry as a whole can increase its financial contribution.

It is thought that the former question will be addressed by a new management committee involving producers, processors and consumers which would be designed to have effective control over the Board's monopoly powers.

The Government currently provides £1.8m a year in direct aid, with extra price support if needed, a facility which has not been used since 1985. Government aid is expected to be phased out, probably by 1991, once new legislation is introduced.

India estimates rubber shortfall

INDIA expects its natural rubber consumption in 1990 to exceed production by 53,000 tonnes, compared with a 54,000 tonne shortfall this year, reports Reuter from Bangkok.

In a paper presented to a meeting of the International Rubber Study Group here India said the Government was providing technical and financial assistance for rubber producers to raise production through replanting and expanding existing plantations.

The paper said some 19,000 hectares of rubber areas will be added or replanted in 1990, compared with 17,000 hectares planned for this year.

WORLD COMMODITIES PRICES

LONDON MARKETS

BASE METALS prices on the London Metal Exchange mostly traded back from earlier movements yesterday. Cash high grade zinc regained Wednesday's $30 a tonne fall, while cash copper settled back £12 a tonne following its rally. Tin edged higher after its recent weakness and nickel fell $350 a tonne to wipe out most of the Tuesday and Wednesday upturn. The exceptions to the patter were lead, which continued to fall back, and aluminium which extended its tentative rally, despite falling back in the afternoon. Dealers said there was little follow through buying after the morning gains and few expected the rise to take prices much further. Lead prices also failed to follow through on early gains and the cash quotation ended £6 down at £431 a tonne, taking the fall on the week so far to £12.50 a tonne.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.30-5.40z	+0.15
Brent Blend	$18.00-8.10w	
W.T.I. (1 pm est)	$19.60-9.65z	+0.05
Oil products		
(NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$190-192	-4
Gas Oil	$154-155	+4
Heavy Fuel Oil	$87-89	-1
Naphtha	$157-159	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$372.25	+1.0
Silver (per troy oz)♣	523c	-1
Platinum (per troy oz)	$489.75	-7.25
Palladium (per troy oz)	$148.25	-0.60
Aluminium (free market)	$1725	
Copper (US Producer)	115½-117½c	+5¼
Lead (US Producer)	38.5c	
Nickel (free market)	555c	-15
Tin (Kuala Lumpur market)	25.01r	+0.01
Tin (New York)	434.5c	+0.5
Zinc (US Prime Western)	80¼c	
Cattle (live weight)†	119.34p	-3.94*
Sheep (dead weight)†	178.70p	-21.0*
Pigs (live weight)†	86.57p	-5.11*
London daily sugar (raw)	$357.2t	+3.6
London daily sugar (white)	$481.5t	+9.0
Tate and Lyle export price	£336.0	+3.0
Barley (English feed)	£103	-1
Maize (US No. 3 yellow)	£131	
Wheat (US Dark Northern)	£122.25z	
Rubber (spot)Ψ	59.00p	
Rubber (Jul)Ψ	60.75p	
Rubber (Aug)Ψ	61.50p	
Rubber (KL RSS No 1 Aug)	251.0m	-0.5
Coconut oil (Philippines)§	$335t	+5
Palm Oil (Malaysian)§	$322.5t	+2.5
Copra (Philippines)§	$340	
Soyabeans (US)	£180w	
Cotton "A" index	83.9c	+0.05
Woolltops (64s Super)	603p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Dec. w-Aug. z-Sep. u-Jun/Jul. x-Jul/Aug. t-Aug/Sep. v-Aug/Oct. †Meat Commission average fatstock prices. * change from a week ago. ♣London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Jul	883	864	885	854
Sep	880	860	882	869
Dec	929	929	932	921
Mar	907	904	907	896
May	919	911	909	908
Jul	930	925	924	920
Sep	946	940	945	935

Turnover: 2082 (3054) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 18 1085.68 (1100.67): 10 day average for Jul 20 1050.55 (1046.09)

COFFEE £/tonne

	Close	Previous	High/Low	
Jul	835	824	838	824
Sep	823	826	834	821
Nov	835	841	845	833
Jan	858	856	869	855
Mar	882	883	890	882
May	910	910	915	905
Jul	935		938	926

Turnover: 2405 (1339) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 18 Comp. daily 79.29 (76.39). 15 day average 82.88 (84.03)

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	317.80	320.00	324.60	315.00
Oct	318.00	320.00	325.80	310.00
Dec	308.00	308.00	307.00	
Mar	297.40	299.80	302.40	291.00
May	294.00	295.80	298.00	296.00
White	**Close**	**Previous**	**High/Low**	
Oct	414.00	413.50	416.50	407.00
Dec	379.50	377.00	379.00	
Mar	367.50	370.50	370.00	362.60
May	365.50	368.50	367.50	362.00

Turnover: Raw 10679 (6005) lots of 50 tonnes. White 4516 (1975).
Paris- White (FFr per tonne): Oct 2422, Dec 2416, Mar 2350, May 2340, Aug 2380, Oct 2220.

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Sep	17.53	17.33	17.55	17.30
Oct	17.53	17.08	17.33	17.08
Nov	17.02	16.91	17.02	17.01
IPE Index	17.35	17.38		

Turnover: 8479 (4250)

GAS OIL $/tonne

	Close	Previous	High/Low	
Aug	152.00	148.50	153.00	149.50
Sep	153.00	149.50	153.00	149.75
Oct	153.50	150.75	154.50	151.25
Nov	154.75	151.75	155.00	152.50
Dec	155.75	152.75	155.75	154.25

Turnover 12456 (10775)lots of 100 tonnes

FRUIT AND VEGETABLES

THE FIRST new season homegrown Grenadier cooking apples are now available at 30-45p a lb, and other new arrivals include black and redcurrants, 70-85p a ½lb and French greengages, 45-55p a lb, reports FFVIB. Marrows are more widely available, 30-55p (45-75p), as are cauliflowers 35-55p (40-60p). British stick beans are now in the shops 70-80p as are homegrown broad beans 30-60p and Italian red onions 40-65p. Supplies of salads remain excellent with prices stable. Tomatoes at 30-50p, celery, 40-70p a head and cucumbers 40-60p each, are all unchanged, as are Iceberg lettuce 40-60p each and watercress 30-40p.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 15,375 tonne
Cash	1720-2	1718-20	1725	1723-5		
3 months	1723-5	1720-2	1745/1720	1727-9	1724-5	30,459 lots
Copper, Grade A (£ per tonne)						Ring turnover 34,750 tonne
Cash	1550-2	1562-4	1565/1555	1562-3		
3 months	1532-3	1537-8	1551/1531	1546-7	1534-5	71,089 lots
Lead (£ per tonne)						Ring turnover 5,850 tonne
Cash	430-2	436-8	432/431	430-1		
3 months	414-5	417-7.5	421/412	415-6	413-4	9722 lots
Nickel ($ per tonne)						Ring turnover 1128 tonne
Cash	11900-2000	12200-400	12000/11900	12000-50		
3 months	11275-325	11450-500	11400/11250	11275-325	11250-300	6,924 lots
Tin ($ per tonne)						Ring turnover 230 tonne
Cash	9440-60	9430-50	9465	9460-5		
3 months	9430-50	9430-50	9470/9420	9450-5	9435-45	2,649 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 9,375 tonne
Cash	1695-705	1655-65	1700/1690	1690-2		
3 months	1610-4	1580-5	1620/1595	1605-10	1615-20	10,333 lots
Zinc ($ per tonne)						Ring turnover 4,975 tonne
Cash	1640-50	1610-20	1625	1620-30		
3 months	1560-3	1540-5	1565/1550	1550-60	1560-70	8,101 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Nov	120.0	119.0		
Feb	140.0	133.0		
Apr	194.5	188.0	195.5	192.0
May	215.0	207.0	210.0	

Turnover 564 (359) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Oct	144.50	143.00	144.50
Dec	142.00	142.00	142.00

Turnover 30 (87)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Jul	1358	1347	1358	1348
Aug	1370	1355	1367	1356
Oct	1497	1479	1497	1485
Jan	1530	1517	1531	1530
Apr	1561		1565	
BFI	1376	1377		

Turnover 148 (145)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Sep	104.85	104.85	105.10	104.85
Nov	108.50	108.45	108.70	108.30
Jan	112.30	112.35	112.60	112.30
Mar	115.60	115.55		
May	118.80	119.00	119.30	118.90
Jun	120.75	121.00	120.75	
Barley	**Close**	**Previous**	**High/Low**	
Sep	103.50	103.55	103.60	103.30
Nov	107.25	107.35	107.60	107.25
Jan	110.70	110.85	110.90	110.50
Mar	113.85	113.75		
May	115.50		115.85	115.50

Turnover: Wheat 103 (97), Barley 127 (152).
Turnover lots of 100 tonnes.

PIGS (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	116.0	115.5	115.3
Oct	120.0	120.0	119.5
Nov	121.0	121.0	120.0
Feb	113.5	113.0	
Jun	114.0	114.0	113.5

Turnover 17 (18) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	372-372½	228-228½
Opening	368-368½	228¼-228¾
Morning fix	369.80	228.642
Afternoon fix	371.05	229.086
Day's high	373½-374	
Day's low	368-368½	

Coins	$ price	£ equivalent
Mapleleaf	383-388	236-239
Britannia	383-388	236-239
US Eagle	333-388	236-239
Angel	376½-381½	232-235
Krugerrand	371-374	228½-230½
New Sov.	86-87	53-53¾
Old Sov.	86-87	53-53¾
Noble Plat	493.60-503.60	306.95-311.85

Silver fix	p/fine oz	US cts equiv
Spot	320.70	518.00
3 months	331.85	529.60
6 months	343.05	541.30
12 months	364.30	563.15

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Nov	Sep	Nov
1650	105	99	21	41
1750	48	50	62	89
1850	17	22	130	158
Copper (Grade A)	**Calls**		**Puts**	
2350	179	162	30	84
2450	114	112	64	131
2550	66	74	114	191

LONDON FOX TRADED OPTIONS

Coffee	Sep	Nov	Sep	Nov
800	53	79	30	45
850	30	56	57	72
900	15	36	92	104
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
850	40	104	10	25
900	14	73	34	44
950	3	49	73	70

US MARKETS

IN THE METALS, gold, silver and platinum recovered some of Wednesday's losses from scattered short-covering, reports Drexel Burnham Lambert. August gold gained 2.90 while the September silver rose 2.7. Platinum futures also advanced but prices still closed below the $500 level. In the softs, sugar trading remained choppy but ended the day near unchanged levels. Cocoa and coffee futures were slow. The grains featured sideways action as the July expiration was a non-event. Wheat futures were higher on possible tender business. Cotton slipped in quiet trading while orange juices prices continued to fall. In the livestocks, a technical correction was seen in the belly market as prices closed up 157 at 2967. A higher cash market and increased packer interest helped rally live hogs. Position squaring ahead of the cattle on feed report kept cattle prices steady. The energy complex was mixed with spread trading as the days main feature.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jul	371.4	368.3	371.5	371.5
Aug	372.2	369.3	375.0	369.7
Sep	374.5	371.6	0	0
Oct	376.5	373.5	379.4	374.0
Dec	380.6	377.6	383.5	377.9
Feb	384.6	381.6	384.8	384.8
Apr	388.7	385.7	389.6	389.0
Jun	392.8	389.8	393.5	393.5
Aug	396.8	393.9	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	491.6	485.8	490.5	487.6
Oct	495.1	489.8	496.7	490.0
Jan	497.9	492.3	498.6	493.5
Apr	501.4	495.8	499.0	499.0
Jul	504.9	499.3	0	0
Oct	508.4	502.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jul	518.1	515.3	521.0	521.0
Aug	519.2	516.8	0	0
Sep	523.7	521.3	528.5	521.5
Dec	536.0	533.6	541.0	534.0
Jan	539.2	536.8	0	0
Mar	547.1	544.7	550.0	547.0
May	554.7	552.5	558.5	554.0
Jul	562.6	560.6	568.0	565.0
Sep	570.4	568.6	0	0
Dec	581.2	579.6	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

July 19	July 18	mnth ago	yr ago
1937.6	1938.6	2024.8	1957.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	131.52	130.90	133.61	138.32
Futures	129.04	129.50	132.44	141.47

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	109.70	110.30	110.50	108.75
Aug	109.20	109.70	0	0
Sep	108.70	109.30	109.60	108.10
Dec	104.70	104.50	105.10	104.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Aug	19.66	19.65	19.90	19.55
Sep	19.61	19.55	19.68	19.38
Oct	19.27	19.13	19.30	19.00
Nov	19.01	18.82	19.04	18.73
Dec	18.85	18.82	18.90	18.55
Jan	18.73	18.50	18.76	18.46
Feb	18.62	18.42	18.69	18.40
Mar	18.60	18.36	18.60	18.50
Apr	18.60	18.33	18.60	18.25

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Aug	5125	5037	5165	5020
Sep	5200	5101	5250	5100
Oct	5265	5172	5330	5195
Nov	5335	5237	5355	5250
Dec	5388	5302	5440	5310
Jan	5400	5322	5430	5325
Feb	5300	5227	5315	5270
Apr	4900	4817	4900	4900

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1308	1300	1318	1290
Dec	1329	1323	1338	1315
Mar	1340	1335	1349	1323
May	1358	1360	1345	1345
Sep	1387	1378	1384	1376
Jul	1371	1383	1365	1357
Dec	1408	1408	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	88.24	88.64	89.00	88.00
Dec	90.84	91.09	91.50	90.60
Mar	93.95	94.11	94.55	93.90
May	96.00	95.83	96.75	96.00
Jul	98.00	97.78	98.50	98.00
Sep	99.93	100.00	100.50	99.60
Dec	102.00	102.50	103.75	102.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	14.33	14.40	14.82	13.25
Jan	12.85	13.18	0	0
Mar	13.40	13.47	13.64	13.03
May	13.19	13.23	13.43	12.94
Jul	13.09	13.12	13.15	13.00
Oct	12.75	12.95	12.95	12.75

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	73.98	74.25	74.05	73.70
Dec	74.67	74.77	74.80	74.30
Mar	75.25	75.32	75.35	74.86
May	75.47	75.70	75.75	75.20
Jul	75.50	75.88	75.70	75.30
Oct	70.12	70.05	70.00	70.00
Dec	67.85	68.10	68.05	67.85

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	154.60	157.85	156.05	153.10
Nov	143.10	146.10	146.50	143.10
Jan	139.70	144.65	143.50	139.65
Mar	139.00	144.00	143.50	139.00
May	138.00	143.00	0	0
Jul	163.10	165.00	164.00	160.50

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	688/4	727/4	727/0	685/0
Aug	681/2	687/4	693/0	670/0
Sep	644/2	648/4	651/0	635/0
Nov	628/6	630/0	635/0	618/0
Jan	635/6	638/6	641/0	626/0
Mar	644/0	644/2	649/4	634/0
May	652/6	648/2	653/0	639/0
Jul	653/0	649/0	655/0	641/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	19.45	18.62	19.51	18.30
Aug	19.22	19.02	19.60	19.26
Sep	19.55	19.72	19.82	19.53
Oct	19.80	20.0	20.02	19.76
Dec	20.17	20.4	20.40	20.10
Jan	20.39	20.5	20.52	20.30
Mar	20.67	20.94	30.66	20.68
May	20.65	21.17	21.15	20.85
Jul	21.38	21.73	21.70	21.36

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jul	231.5	221.5	235.0	219.7
Aug	209.3	208.7	215.0	204.6
Sep	201.2	200.8	205.0	195.5
Oct	195.0	195.2	197.0	191.0
Dec	191.2	191.3	193.8	187.0
Jan	190.7	191.5	192.5	187.0
Mar	190.2	190.7	192.5	187.5
May	189.5	191.0	190.0	189.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Jul	247/4	252/2	256/4	247/0
Sep	240/0	240/0	243/2	238/0
Dec	237/4	238	241/0	236/6
Mar	244/2	245	247/2	243/6
May	249/2	249	251/4	248/2
Jul	248/0	249	251/4	247/6

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Jul	390/6	330/0	392/2	386/0
Sep	397/6	394/2	398/6	391/4
Dec	410/6	405/4	411/0	402/4
Mar	413/0	408/4	414/0	409/2
May	391/4	388/0	391/4	390/0
Jul	358/4	356/4	360/0	355/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	72.75	72.87	72.90	72.50
Sep	74.00	73.95	74.00	73.80
Oct	75.52	75.52	75.67	75.30
Dec	74.42	74.37	74.82	74.25
Feb	72.90	72.87	73.10	72.65
Apr	74.05	71.85	74.30	73.65
Jun	72.85	72.75	73.00	72.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jul	48.00	48.02	49.00	48.20
Aug	46.17	45.70	46.22	45.87
Oct	40.20	40.05	40.60	40.15
Dec	42.47	42.50	42.77	42.22
Feb	43.60	43.65	44.02	43.50
Apr	41.17	41.17	41.70	41.10
Jun	46.35	46.27	46.60	46.35

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Jul	30.55	29.02	30.75	29.75
Aug	29.67	28.10	29.85	28.60
Feb	43.50	41.57	44.57	41.95
Mar	43.40	41.40	44.40	42.00
May	44.65	42.65	44.65	43.15
Jul	45.00	43.00	45.00	44.20

طبق الأصل

LONDON STOCK EXCHANGE

Share prices rally after early losses

A UK equity market driven lately by speculative accounts of real or imagined takeovers struggled throughout a tense sessionyesterday to keep its head above water and eventually came out with an honourable draw as disappointing UK economic data was offset by a continuing buoyant performance by Wall Street. The FT-SE 100-share index closed with a 0.2 fall at 2,292.3.

There was general agreement among dealers and analysts that the equity market had run out of steam as the trading day got under way, despite more takeover developments in the UK, albeit on a smaller scale than some of recent weeks.

Account Dealing Dates			
First Dealings:	Jul 3	Jul 17	Jul 31
Option Declarations:	Jul 13	Jul 27	Aug 10
Last Dealings:	Jul 14	Jul 28	Aug 11
Account Day:	Jul 24	Aug 7	Aug 21

*New time dealings may take place from 9.00 am two business days earlier

The property sector delivered its latest offering – an agreed £258m bid for Randsworth from a unit of the US group JMB Realty Corporation, which came hard on the heels of moves for Imry Merchant and Arlington.

Opening just over two points lower, the Footsie index fell away to show a near 13 fall by mid-morning. Dealers said the *weakness represented an* attempt by marketmakers to induce some profit-taking sales. However, little in the way of selling pressure developed and share prices began to steady and then rally.

Immediately before the announcement of the latest money supply figures – M0 was up 0.7 per cent and M4 up 2.4 per cent – the index was displaying a five point decline. Publication of the numbers caused another bout of moderate weakness, but this was reversed in the afternoon and the opening of US markets got underway.

First impressions of the Humphrey Hawkins testimony delivered to the US Congress by Mr Alan Greenspan, chairman of the Federal Reserve Board, were said by observers to have been positive for markets. "He focused on the need to avoid recession rather than on inflation," said Ms Serena Yeoward at Pru-Bache, the US securities house.

With Wall Street up 15 points within minutes of opening, London was quick to follow and the Footsie was momentarily level before relaxing slightly and ending with its marginal decline on the day.

Market strategists observed that attempts to get the market down – mainly by marketmakers – continued to run *into resistance; "Very few fund* managers are willing to sell into this sort of market," said one senior trader, while another noted: "No one cared much about the money supply figures, and they certainly *haven't had much of an effect* of sentiment." Among yesterday's strongest performers were P & O and THF.

Turnover in equities was described as disappointing by dealers who had expected an upturn in business levels. Yesterday saw 548.1m shares traded, down on Wednesday's 601m.

FINANCIAL TIMES STOCK INDICES

	July 20	July 19	July 18	July 17	July 14	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	88.34	88.30	88.40	88.50	88.46	87.92	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.75	96.83	96.88	96.93	96.95	97.38	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1901.4	1903.2	1883.2	1880.2	1886.4	1495.9	1903.2 (19/7)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	192.4	199.0	200.1	201.5	202.1	218.2	206.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2292.3	2292.5	2273.1	2274.8	2273.7	1864.4	2292.5 (19/7)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)

Ord. Div. Yield	4.24	4.23	4.28	4.29	4.29	4.50
Earning Yld %(full)	9.84	9.91	10.04	10.05	10.05	11.43
P/E Ratio(Net)(*)	12.12	12.15	12.00	11.98	11.99	10.69
SEAQ Bargains(5pm)	28,533	23,600	24,490	21,419	41,203	24,011
Equity Turnover(£m)†	-	1456.18	1186.03	1337.01	1749.58	1020.75
Equity Bargains†	-	32,484	30,747	38,362	43,099	26,288
Shares Traded (ml)†	-	488.7	448.1	509.5	737.3	381.9

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. * Nil 12.00

Ordinary Share Index, Hourly changes — Day's High 1901.4 — Day's Low 1890.7

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1900.7	1893.8	1894.2	1898.3	1894.9	1893.7	1895.9	1900.6

FT-SE, hourly changes — Day's High 2292.5 — Day's Low 2279.6

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2290.3	2282.7	2282.7	2287.0	2285.4	2284.3	2287.7	2292.4

S.E. ACTIVITY

Indices	July 19	July 18
Gilt Edged Bargains	87.5	74.3
Equity Bargains	210.5	199.2
Equity Value	2902.8	2397.3
5-Day average		
Gilt Edged Bargains	92.3	91.0
Equity Bargains	235.7	248.9
Equity Value	2863.5	2944.9

SE Activity 1974. †Excluding intra-market business. London Report and latest Share Index: Tel. 0898 123001

Smart about turn in GUS

Mail order and retailing group Great Universal Stores (GUS) turned a double figure loss into a 17-point gain on the strength of its annual results which, although unexciting, were nothing like as bad as some had feared. Last year's postal strike wiped about £20m off profits, leaving a final figure of £400.2m, or £392m minus the property contribution. It was enough to send the price up from the day's low of 1069p to a close of 1107p, up 17 on turnover just short of 1m shares.

Analysts were slow to react to the figures because of the lack of published information. GUS is among the more secretive UK companies, and with no access to a breakdown of group profits City researchers kept their comments to a minimum.

However, Mr Nick Hawkins at Kleinwort Benson felt that this year's earnings could be hurt by the poor response to the spring/summer '89 catalogue. "The catalogue's lurch upmarket turned GUS's traditionally-minded customers off," he said, describing it as a "serious marketing error."

Consequently the Kleinwort analyst trimmed his forecast for current year profits to £425m, and in spite of the stock's known defensive qualities he predicts a dull outlook for the GUS share price.

US favour agency

A New York buyer was prepared to pay a premium for Blue Arrow yesterday and his efforts helped push the stock out of its trading range to its highest for exactly a year. The stock closed at 110½p, up 4½ on the day as a busy 9.5m shares changed hands.

Marketmakers now regard Blue Arrow as an American stock. One suggested that New York thought the company was undervalued against the rest of the agency sector in terms of its cash flow multiple. The rise past 110p is said to have brought Blue Arrow into line with its rivals.

"*Fundamentals have been* left behind," said Mr Andrew Mills, agencies analyst at BZW. "The Americans have got the upper hand and have pushed it to a chart break-out." Another US securities house, Citicorp Scrimgeour Vickers, believes the p/e ratio is far too high and rate the stock a weak hold/sell.

Rothmans strong

Rothmans International moved higher in moderate volume as a marketmaker covered a sizeable short position and whispers resurfaced of an impending deal between main shareholders Philip Morris and the Richemont Group. An agreement exists between the two overseas concerns, giving each other first right of refusal should they decide to sell, and every so often the story emerges that Richemont is about to dispose of its stake.

Several London houses favour the stock. Hoare Govett has for some time been impressed with Rothmans' non-tobacco interests, particularly those in luxury consumer products. Meanwhile, James Capel, the broker, was forced *to cancela* presentation on Rothmans in the City on Tuesday because of to the national rail strike. Rothmans shares closed at the best level of the day, showing a steep rise of 36 to 658p.

The *Burmah Oil share* price made further rapid progress, closing another 18 higher at a year's best of 656p; renewed buying interest uncovered a shortage of stock in the market. Turnover was a thin 1.1m shares.

The market was recently full of stories that Burmah was about to acquire a significant stake in Calor Gas, from SHV, the Dutch group, in exchange for SHV taking a 14.9 per cent stake in Burmah. These stories were described by Burmah as "absolutely unfounded": There were also suggestions yesterday that SHV might be interested in moving for Burmah and Calor, but these hints were disregarded by sector specialists who took the view that the steep rise in Burmah was purely on the back of the stock shortage.

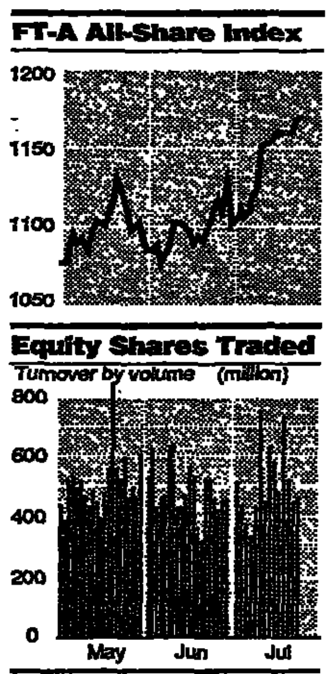
But analysts refused to rule out the possibility of a bid for Calor by British Gas, although they said any such move would almost certainly lead to an investigation by the Monopolies Commission.

In the background to the Burmah/Calor stories was speculation that Elf, the French oil group might be consideringa bid for Croda, the chemicals group and that this could well trigger a counter offer for Croda from Burmah. Calor shares edged up 2 to 420p with 1m shares changing hands.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million)



British Gas were a good market, closing 4 higher at 182½p on turnover of 8.4m.

Vague suggestions of a rights issue from ICI to be announced with next Thursday's first-half figures did little for the price, which closed 17 off at 1257p.

Unilever retreated after the long bull run of recent weeks, shedding 5 to 645p. Dealers spoke of switching into the Dutch-quoted NV stock for the first time since May.

US buyers led interest in Reuters, stimulated, said dealers by thoughts of the forthcoming figures. Reuters closed at 789p, up 19 on the day.

Profit-takers moved into insurance stocks after three days of good gains. Britannic fell 17 to 469p, Pearl 6 to 518p, Refuge 14 to 509p and Legal & General 6 to 351p. Sun Life eased 10 to 1068p after announcing a 22 per cent improvement in new life and pensions business for the first half of this year.

However, analysts were quick to point out that the figures did not quite give the full story. This year's £46.3m in new business was being compared with last year's £38.1m at the same stage. But last year's figure was really £51m, say researchers, because £13m was missing in the form of new business held up by processing delays. Therefore, if you take £51m, and compare it with this year's £46.3m, new business has in fact fallen 10 per cent, not risen 22 per cent.

National Westminster were hit by the critical Government report on the role of the bank's stockbroking arm in the Blue Arrow rights issue affair, the shares closing 8¼ easier at 315¼p on busy turnover of 8.4m.

While *speculation about the* sale of Thistle Hotels kept Scottish & Newcastle ticking over at 382p, up 5¼ on turnover of 4.2m shares, other brewery stocks were supported by some late buying. Recoveries from early falls were staged by Bass, steady at 1047p, Grand Metropolitan, up 2 at 584p, Whitbread "A", up 2 at 360p. Guinness, a penny better at 527p. A shortage of stock and helped Devenish add 9 at 323p.

Hotels group Trusthouse Forte remained a firm market on continued speculation of an *imminent covered warrants* issue. The shares climbed 13 to 357p on turnover of 3.9m.

Taylor Woodrow recalled 8 to 320p on news of a vendor placing of some 9m shares at 318p each, representing about 2.77 per cent of the company's equity. The cash is to finance the acquisition of a portfolio of 75 industrial and warehouse units from Peachey for £28.3m.

The widespread publicity on the plight, leading to yesterday's trading suspension, of Kentish Property because of reduced demand for London Docklands properties affected housebuilders McCarthy & Stone, down 30 at 195p, and Anglia Secured Homes, 11 easier at 200p.

Revived speculation about the Trafalgar House stake of 8.4 per cent bought Costain back into play and the shares gained 7 to 325p. Heywood Williams, where Scottish Amicable recently revealed a 10.37 per cent holding, advanced 11 to 296p, while Ashstead moved up 5 to 305p in response to a "*strong buy*" recommendation from BZW.

The same house also rates Laporte, the chemical group, which rose 7 to 461p while more talk of a stakebuilding exercise pushed Croda International higher to 229p. Coalite picked up 13 to 477p.

Among mixed retail stocks Next continued their slide, fall*ing a further 3 to 143p in mod*erate trade. Although the company itself remains bullish about its trading prospects, stores analysts continue to rate the stock a weak hold or sell because of what they see as the bleak outlook for high street clothing sales.

A 30 per cent jump in full year profits from Cray Electronics had been more than discounted in the price. It slumped to 134p before recovering a little to 140p, still 18 down on the day.

Racal Electronics recovered *after several days of declines,* to close up 12 at 433p on good turnover of 4.9m shares.

Thorn EMI firmed 14 to on suggestions of Far East buying and that the company had sold its Kenwood division. "Kenwood is certainly up for sale," said an analyst, "but that is a long way from up 14."

Confirmation that British Telecom would be ending its three year price freeze combined with interest generated by the launch, by Salomon, of a covered warrant, sufficed to add 2 to the stock which closed at 264p. Volume was a strong 7.1m shares.

A persistent single buyers of Microfocus in a thin market pushed the price higher to 333p *before it retreated by the close* to 327p, up 30 on the day.

British Steel staged a recovery after recent falls. Volume was a strong 31m shares, with US buying of the ADRs leading the way, and the stock added 2 at 76p. There have been some recent bullish notes on Steel from brokers, although a market suggestion that BZW had upgraded its forecasts was denied by the securities house.

Many names associated with *Myson* in the last year were put forward as possible suitors after the company revealed it was in talks that might lead to a bid. The list included Bicc, Blue Circle, GEC, Suter, Williams Holdings, Yale and Valor and an unnamed foreign company. The stock jumped 54 to 221p.

Eurotunnel continued its *slide, dropping though the £10* mark, as dealers and analysts spoke of disappointing tunnelling rates, higher than expected costs for rolling stock and a press campaign against the company. "It is a fashionable thing for the media to knock Eurotunnel," said Mr Ian Wild of BZW. Eurotunnel closed 67 lower at 997p.

US buyers returned to British Airways, just after Wall Street opened, to push up the price 3 to 206p. They were also seen chasing MB Group which posted better than expected figures last week. MB closed 10 to the good at 207p.

The acquisition of Marlin Group, which provides a complete pre-press service, took Wace higher still ahead of next Thursday's interim results and the close was 12 up at 431p. *Renewed bid specuylation* lifted DRG 14 to 533p while Moss Trust staged an impressive return to trading, ending at 46p compared with the suspension level of 35p.

P&O returned to popularity *late, regaining an early loss to* close 19 up on the day at 707p. "Its fast assuming the mantle of number one break-up candidate," commented one dealer.

The feature of the property sector was the agreed £258m offer for Randsworth Trust from JMB Realty, the Chicago-based property investment, development and management group. Warburg Securities was bidding 325p cash in the market during the day on behalf of the bidder, and although Swedish group Rheinhold has yet to pledge its 17 per cent stake to the US group, dealers think *JMB should have picked up* enough stock for a controlling interest.

Shares in kitchenware manufacturer Le Creuset were in great demand on their debut in the market following some *positive press coverage*. The shares opened at 182p-bid, against the issue price of 135p, and raced further ahead to end the session at 195p and a spectacular 60p premium. The other debutant of the day, Forwell, a group specialising in desiging and building office interiors, rose quickly from their issue price of 62p to 70p in early trading, before closing at 70p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 29

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]				[illegible]				[illegible]				[illegible]			
British Airways	2,980	206	+3	[illegible] 'A'	23	793	-1	Prudential	2,560	197	+2	Tesco	1,300	199	-2
British Gas	8,490	182½	+4	Hanson	1,600	223½	-1	RHM	374	452	-3	THORN EMI	694	796	+14
British Land	906	384	-4	Harrisons & Crns.	549	173	+1	RMC	297	762	+1	Trafalgar House	2,500	371	-1
BP	6,900	309	+½	Hawker Siddeley	1,400	763	-5	RTZ	994	507	-3	Trusthouse Forte	3,900	355	+13
British Steel	30,800	76	+2	Hillsdown Hldgs	773	290	-2	Racal	4,900	433	+12	Ultramar	5,000	312	-1
British Telecom	7,100	264	+2	IMI	173	247	-1	Rank Org	137	960	+1	Unilever	2,300	645	-5
Burmah Oil	1,100	656	+18	Imp. Chem.	1,300	1257	-17	Reckitt & Colman	92	1198	-14	United Biscuits	1,400	400	-6
Burton	2,900	251	-5	Inchcape	255	285	+2	Redland	654	612	-6	Utd Newspapers	182	453	-1
Cable & Wireless	3,600	518	+4	Jaguar	1,700	414	-6	Reed International	640	428	-3	Wellcome	533	441	-3
Cadbury Schweppes	3,680	461	+2	Kingfisher	521	334	-3	Reuters	985	789	+19	Whitbread 'A'	470	360	-2
Carlton Comms	119	813	-4	Ladbroke	3,890	313	+2	Rolls Royce	8,900	196½	+2	Williams Hldgs	525	271	-1
Commercial Union	1,300	423	-4	Land Securities	743	597	-8	Rothmans	873	658	+36	Wimpey	641	278	-3

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (206).

BRITISH FUNDS (14) AMERICANS (3) CANADIANS (1) BANKS (7) BEERS (1) BUILDINGS (3) CRH, Douglas (R.M.), Ward Grp., CHEMICALS (4) STORES (8) ELECTRICALS (9) Black & Decker, Dennnins Elect., Emess, Ericsson (L.M.), GEC, Harland Simon, Microlec Grp., Micro Focus, Servomex, ENGINEERING (14) BM Grp., Cook (Wm.), Davy, Fairey Grp., GEI Int'l., Powerscreen Int'l., Priest (B.), Robinson (T.), Ross Catherall, Simon Eng., Spirax-Sarco, Staveley Inds., Tellos, Whewey, FOODS (12) HOTELS (3) INDUSTRIALS (30) ADT, Alfa-Laval AB "B", Ass. Brit. Consultants, Assoc. Brit. Ports, Assoc. Nursing Servs., Avis Europe, B.H. Prop., Bear Brand, Blue Arrow, Brit. Vita, Brooks Service, Christies Int'l., Colorgen Inc., Cookson, Green (J.), Dyson (J. & J.), Electrolux, Pisons, Rogas, Handley-Walker Grp., Johnson Matthey, Myson, Parkfield Grp., Rolfe & Nolan, Ropner Do. "A", Transport Dev., Unilever, Whatman Reeve, Worthington (A.J.), INSURANCE (2) LEISURE (1) Cityvision, MOTORS (1) FR Grp., NEWSPAPERS (2) PAPERS (3) PROPERTY (8) SHIPPING (3) SHOES (1) Stylo, TEXTILES (1) Smallshaw, TRUSTS (68) OILS (9) MINES (4) THIRD MARKET (2).

NEW LOWS (29).

AMERICANS (1) BANKS (1) BUILDINGS (2) Federated Housing, McCarthy & Stone, ELECTRICALS (6) Cray Electronic, Crystalate, Nesco Inv., Northamber, Wholesale Fittings, INDUSTRIALS (6) Creighton Labs., Lodge Care, Oakwood Grp., Stag Furniture, Welpac, Willis Grp., MOTORS (2) PAPERS (2) PROPERTY (1) Merlin Int'l. Props., TEXTILES (1) Palma Grp., TOBACCOS (1) TRUSTS (3) OILS (1) PLANTATIONS (1) MINES (2).

APPOINTMENTS

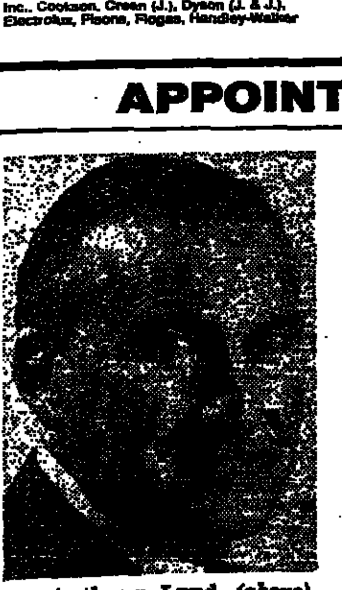
United Transport changes

■ Mr Kevin Mellor has been appointed chief executive of the tanker division of UNITED TRANSPORT EUROPE. He was director, lubricants division, Esso U.K. Mr Philip Harrisson becomes chairman of the tanker division, and will also be responsible for European acquisitions and development. He was financial director of United Transport Co. Mr Gary Watt, who was managing director of the division, returns to the US at the end of the year to a post in United Transport America.

■ Ms Juliet Cogswell, a director of Merchant Navy Investment Management, has been appointed a non-executive director of the EMBASSY PROPERTY GROUP.

■ HONORBILT GROUP has appointed Mr Christopher Wicks to its main board. He is president of Tomato Inc, a Californian menswear company recently acquired by the group.

■ EDINBURGH FUND MANAGERS has appointed Mr Alex Gowans, head of the UK department, to the board. Dr Paul Whitney, chief executive of CIN Management, becomes a non-executive director.



Mr Anthony Lund *(above)*, chief executive of EBC Amro Bank in London, is to join NORINCHUKIN INTERNATIONAL in August as a senior adviser. Norinchukin International is the *London invest*ment banking arm of Japan's Norinchukin Bank.

■ Mr Richard Hardwick and Mr Dennis Clegg have been appointed joint managing directors of CITIGATE MARKETING.

■ GRANT THORNTON has appointed Mrs Ann Baldwin as executive partner responsible for manpower, finance, and administration; and Mr Darryl Whitehead as executive partner responsible for client services. She was managing partner, south west group, and he was audit and investigations partner, London group.

■ Mr Bob Brampton has been appointed to the new post of operations director at GEC-XPELAIR.

■ *MTU* MOTOREN-UND-TURBINEN-UNION FREDERICHSHAFEN, high-performance diesel manufacturer, has appointed Mr Gordon R. Burgess as general manager, London office.

■ Mr Willy Bauer, who was managing director of the Savoy Hotel, has been appointed chief executive of WENTWORTH HOLDINGS GROUP, a subsidiary of Chelsfield, from September 1. The principal interests are Wentworth Golf and Country Club.

■ Mr David Blore has been appointed managing director of P-E INBUCON. He succeeds Mr Len Brooks who continues as deputy chairman of P-E International.

■ Lady Howe, wife of the Foreign Secretary, has been appointed a non-executive director of LEGAL & GENERAL GROUP. She is also a director of Kingfisher, and United Biscuits Holdings.

■ Mr Graham Ross Russell, a director since 1971, has been appointed chairman of EMAP from February 1990 when Sir Frank Rogers retires and becomes a non-executive director. Mr Russell is chairman of Laurence Prust Holdings, and was a deputy chairman of the Stock Exchange. Mr David Grigson, *chief financial officer for the* Saatchi and Saatchi consultancy business in the US, joins EMAP next month as finance director.

■ ROYAL INSURANCE (UK) *has appointed Mr Tom Brown* as assistant general manager. He was operations director for Royal Insurance Australia.

■ Mr George C. Beals, technical group head, has been appointed technical director of THE RTZ CORPORATION.

■ Mr Paul Gittens has been appointed a director of GREAT PORTLAND ESTATES.

Accountancy senior posts

Mr Don Hanson is leaving his post as UK managing partner of Arthur Andersen & Co., international accounting and tax firm, to become managing partner in charge of strategic affairs and communications. He will work with Mr Larry Weinbach, AA & Co's chief executive officer, in New York, *writes David Waller, Accountancy Correspondent.* Mr Hanson's successor in the UK is to be Mr Roy Chapman, managing partner of the firm's London office since 1984.

Mr Hanson said yesterday that this appointment was envisaged long before AA & Co announced its intention to merge with Price Waterhouse a *fortnight ago.*

FT LAW REPORTS

Advertising ruling can be reviewed

REGINA v ADVERTISING AUTHORITY LTD EX PARTE THE INSURANCE SERVICE *PLC*

Queen's Bench Divisional Court (Lord Justice Glidewell and Mr Justice Tucker): July 6 1989

DECISIONS OF the Advertising Standards Authority are subject to judicial review if reached by procedures which are not operated properly and fairly; and the court will therefore quash a decision that an advertiser was in breach of the advertising code if it was based on an inaccurate report by the Authority's secretariat and if the advertiser had no *opportunity to put his case* before the Council.

The Divisional Court so held when granting an application for judicial review by The Insurance Service plc from the Advertising Standards Authority's decision that it was in breach of the British advertising code.

LORD JUSTICE GLIDEWELL said that the company provided motor insurance. One means by which it advertised its service was by promotional *leaflets distributed* at garages to the public.

The leaflet circulated in July 1988 stated that the company dealt directly with the customer and that, "because we don't have to pay middlemen, we can pass on these savings to you in lower prices."

The Advertising Standards Authority informed the company that it had received a complaint that the statement was not valid. In due course it upheld the complaint.

The company applied for judicial review of the Authority's decision. The first issue was whether the Authority was a body whose decisions were susceptible to judicial review. The Authority was a company limited by guarantee. Its objects included the promotion and enforcement of "the highest standards of advertising in all media, so as to ensure that no advertising contravenes or offends against those standards, having regard *inter alia* to the British Code of Advertising Practice."

The overriding provision of the Code was that all advertisements should be legal, decent, honest and truthful. If the Authority received a complaint sufficiently substantial to be investigated, its secretariat prepared a report containing a draft recommendation and placed it before the Council. The Council's decision was published to newspapers and other advertising media.

Newspaper proprietors and other media had undertaken *not to publish advertisements* which had been held by the Authority to be in breach of the Code, unless the wording was amended to meet Authority requirements.

There was no provision in the Authority's memorandum or articles of association for any form of appeal against its decisions.

The principal authority in support of the submission that the Authority's decisions were susceptible to judicial review was *Regina v Panel on Takeovers and Mergers, ex parte Datafin [1987] QB 815.*

The Takeover Panel had no statutory or common law powers, nor was it in contractual relationship with those it sought to control, but in practice it had considerable powers. In *Datafin* Sir John Donaldson MR said the Takeover Code had not the force of law, but that those who wished to take advantage of the facilities of the securities markets should conduct themselves according to the Code in takeover matters.

He said the Panel was a self-regulating body in the sense that "a group of people, acting in concert, use their collective power to force themselves and others to comply with a code of conduct of their own devising . . . Lacking any authority *de jure* it exercises immense power *de facto*."

The court decided the Panel was susceptible to judicial review. The characteristics of the Advertising Authority were in many ways similar to those of the Takeover Panel.

It had no statutory or common law powers, nor did it have any contractual relationship with the advertisers whom it controlled.

Nevertheless it was clearly exercising a public law function which, if the Authority did not exist, would no doubt be exercised by the Director General of Fair Trading.

The differences between the Authority and Panel seemed immaterial. The Authority's decisions were therefore susceptible to control by the court by way of judicial review.

The second issue was whether the decision in the present case was void because of the manner in which it was made. Under the Code of Practice it was the secretariat's task to investigate a complaint, and to report to the Council. The decision as to whether a complaint was made out, and as to how it should be resolved, was for the Council.

By letter dated July 13 1988 the secretariat informed the *company that it had received a* complaint about the leaflet. It said the complainant questioned the validity of the claim "we don't have to pay middlemen." On July 21 the company replied by letter that it refuted the complaint. It said that in setting its prices it did not take account of intermediary commissions. Because it dealt directly with the customer it was unnecessary. It said "clearly therefore, we don't have to pay middlemen."

On August 9 the secretariat spoke to the company by phone, and noted that the com*pany said it did pay the service* stations a flat fee for each customer introduced.

Mr Cran for the company submitted that it was apparent from the company's letter of July 21 that it regarded a middleman as an intermediary in the nature of a broker or agent, who was paid by commission on the premium.

On August 11 the secretariat sent a draft report of the complaint to the Council. The report concluded that the com*plaint should be upheld. In the* first sentence of the conclusion it said: "The advertisers acknowledged that a small proportion of sales were made through petrol stations who received commission."

The draft report was sent to the company on August 16.

The company replied on August 24, saying it dealt directly with the customer in *all* cases and that the garages' involvement started and finished with having the leaflet on display.

It said: "The common sense meaning of 'middleman' is someone who is in the middle of a contract between two other parties. The garages are *not in the middle* of a contract between ourselves and the customer. They have no involvement with the contractual negotiations whatsoever."

The secretariat replied that the Council had discussed the investigation and was in agreement with the secretariat's recommendation. It accepted that the payments to the service stations did not represent "commissions," and said it would alter the report to refer to "payments." It nevertheless considered that the service stations acted as middlemen.

The matter came before the Council on October 7. It gave the report formal approval. The alteration of "commissions" to "payment" in the first sentence of the conclusion had not been made. It was conceded for the Authority that that was a mistake.

The affidavit evidence was that the secretariat considered the letter of August 24 at length. It decided that no further material need be placed before the Council.

Since the Authority received thousands of complaints a year it must rely on its secretariat to investigate, report, and recommend what action should be *taken. Nevertheless the final* decision on each complaint, as the Code made clear, was for the Council. The Council could only carry out that task if the facts revealed by the investigation were placed before it accurately. That did not happen in the present case.

The draft report said that the company "acknowledged that a small proportion of sales were made through petrol stations who received commission."

The company did not acknowledge that. On the contrary, it maintained that nobody was paid commission. That information was communicated to the secretariat in conversation on August 9, and in the letter of August 24.

The secretariat did not, however, see fit to send the letter of August 24 to the Council, nor to communicate the information contained in it, including the important information that the company did not accept that it paid commission.

Moreover, although the secretariat had said it was going to correct the report, the sentence remained unaltered.

It followed that when the Council considered the final report on October 7, it was considering the complaint on the basis of an inaccurate statement of what the company accepted were the true facts.

The procedure operated by the Council for the investigation of complaints was satisfactory, provided it was operated properly and fairly. In relation to the present complaint it was not so operated.

The Council reached its decision on October 7 without having regard to a material consideration and without the company's having been given an opportunity fairly to put its case. On normal principles of judicial review the decision should be quashed.

Mr justice Tucker agreed.

For the company: Mark Cran QC and Charles Hollander (Burges Salmon, Bristol).

For the Authority: David Pannick (Theodore Goddard).

Rachel Davies

Barrister

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	53 91	54 66	58.15	+0.54	4 71
Gilts & Fixed Int	6	111 10	111.10	117.8	+0 1	8 49
High Inc Equity	6	139 2	141 0xd	150 1	+0 5	4 23
Worldwide Bond	6	202.5	202.5	214 5	+1.3	9 52
Capital Growth						
American Growth	6	187 40	189 4	201 5	+2 4	0 94
Asian Pacific	6	99 50	101 4	107 9	+0 4	1.20
Assets & Earnings	6	164 30	168 0	178 8	....	2 07
Capital Reserve Acc	0	86.36	86 36	86 42	-0 05	4 63
Commodity & Energy	6	103 5	103.5	110 7	+0 8	1 72
1992 Enterprise	6	59 10	60 31m	64 16	+0.11	2 81
European Capital	6	89 03	89.76	95 49	-0.38	0 79
General	6	187 0	190.0	202.2	+0 4	2.23
International	6	46 49	47 17xd	50 19	+0.31	1 00
Japan	6	108 9	108 9	116 5	+1.2	0 00
Masterfund	6	87 56	87 [illegible]	93.65	+0.56	1.82
UK Growth Acc	6	205 4	214 1	227 8	+1 0	1.23
UK Growth Dist	6	137 0	142.8	152 0	+0.7	1 84
US Emerging Cos	6	53.36	54 97	58 48	+0 63	0 00
Income & Growth	6	312.5	318 8	339 2	+0.1	3.02
Ethical	6	49 79	50 99xd	54 25	-0.04	1.84

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Inc & Growth	5	31.75	31 75	33 89	+0 51	3.24
European	5¼	66.54	66.77	71 27	+0 03	0 00
European Income	5¼	65 18	65 18xd	69.58	-0 15	2.95
Exempt	1	835.2	835 2xd	871 6	+1.10	2.05
Extra Income	5	45 52	45.52xd	48.59	+0 12	4.57
F East Emerg Econ	5¼	47.31	47.57xd	50 95	+0.57	0 70

Midland FSAVCS Unit Trust*

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
British	6	58.15	58.74	62.49	-0.07	2.32
European Growth	6	58.20	58.24	61.96	....	0.27
Gilt & Fixed Int	6	49 87	49 87	53.04	+0 04	8 91
Income	6	58.28	59 15	62 93	-0.02	3.33
Japan Growth	6	57.55	57.87	61.56	+0.72	0.00
Managed	6	56 09	56.87	60.50	+0 23	1.93
Money Market	6	51.01	51.01	54 07	+0 01	10.75
North American	6	59.20	60.12	63.96	+0.59	0.23

Provident Mutual Unit Tst Mgrs Ltd (0905)H
25-31 Moorgate, London, EC2R 6BA 01-588 3963

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
PM Equity Gth	5	124 1	126.2	134 2	+0 7	2.57
PM Income & Gth	5	107.2	109.2	116 1	+0 8	4 51
PM Nth Amer Gth	5	56.31	56.31	59 90	+1 34	1.26
PM European Gth	5	57.30	57.30	60.95	-0.03	0.73
PM Japan Gth	5	78 00	78 14	83 12	+0.78	0 29
PM Overseas Gth	5	53 58	53 87	57.30	+0 88	0.46

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

FT UNIT TRUST INFORMATION SERVICE

	Init Chge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD					01-405 8331	
Convtbl & Equity	5	63.61	66.67	70.92	-0.07	6.71
European	5	69.05	69.39	73.81	+0.36	0.09
Far Eastern	5	64.36	64.54	68.65	+0.04	0.64
Growth Inc	5	90.48	94.03	100.03	+0.29	1.40
Growth Acc	5	90.48	94.03	100.03	+0.29	1.40
Income Inc	5	86.81	88.83	94.49	+0.12	4.50
Income Acc	5	86.81	88.83	94.49	+0.12	4.50
Property Share	5	56.39	56.39	60.11	-0.12	0.98
Smaller Co's	5	60.26	63.28	67.32	-0.09	1.42
Nth American	5	63.01	63.01	67.38	+0.44	2.59
International	5	48.55	48.56	51.92	+0.19	1.41
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Blomfield St, London EC2M 7AY					01-588 0592	
Growth	5	112.25	112.25	117.25		4.05
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield					0484 602250	
Yorkshire General	5¼	65.07	67.61	71.95	-0.00	2.52
YUTM UK Eqty Inc Tst	5¼	61.89	64.01	68.10	-0.06	4.40
YUTM Intl Grth Tst	5¼	52.69	51.69	55.17	+0.70	0.87

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gr's
Baillie Gifford & Co Ltd				
Int'l Expt June 7	485.3	503.8	...	-
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Inv Fund June 30		518.35		4.73
Fxd Int Sec June 30		138.65		10.31
Deposit June 30		100.00		13.05
Charinco/Charishare (1000)F				
33 King William Street, EC4R 9AS			01-280 2800	
C'inco Inc July 19	165.6	169.9	+0.70	10.06
C'inco Acc July 19	679.4	697.0	+3.00	10.06
C'share Inc July 19	157.3	163.3	+2.20	3.85
C'share Acc July 19	172.8	179.4	+2.38	3.85
Charities Official Invest. Fund				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Income June 30		493.06		5.02
Accum June 30		1644.04		

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Sunrise Metro	118.8	125.0	1.5	-
UK Metro	120.8	127.1	-0.2	-
N Am Pn Fd Acc(z)	262.0	275.7	7.1	-
Pac Basin Fd Acc(z)	176.7	186.0	3.2	-
Property(z)	577.3	607.7	2.5	-
Mltple Inv Pens Acc(z)	1491.2	1569.6	7.9	-
Broker Funds				
Prof. Pen. Fd	99.2	104.3	0.4	-
YRA Strategy	120.2	126.5	0.9	-
Laughton Dollar (SE)	139.2	146.5	0.8	-
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL			0793 514514	
Fixed Int. Dep. Acc	262.8	276.7	+0.1	-
Equity Acc	883.1	934.9	+6.0	-
Property Acc	502.2	528.7	+0.1	-
Far East Acc	205.2	216.0	+1.5	-
European Acc	23.6	24.9	+0.3	-
Managed Acc	696.5	733.2	+3.7	-
Managed Cap	394.5	415.3	+1.6	-
O'seas Earnings Acc	596.4	627.8	+3.9	-
Gilt Edged Acc	314.8	332.5	-0.3	-
American Equity Acc	471.2	496.0	+5.3	-
American Man Acc	218.0	229.5	+2.8	-
American Prop Acc	147.4	155.2	+1.0	-
Pen.F.I.Dep.Cap	289.9	305.2	+0.1	-
Pen.F.I.Dep.Acc	498.4	524.7	+0.4	-
Pen. Prop. Cap	587.7	618.7	-	-
Pen. Prop. Acc	1116.5	1175.3	+0.2	-
Pen. Man. Cap	851.9	896.8	+5.1	-
Pen. Man. Acc	1616.6	1701.7	+6.2	-
Pen.GiltEdg.Cap	318.1	334.9	-0.4	-
Pen. Gilt Edg. Acc	493.7	519.7	-0.7	-
Pen. Eq. Cap	1405.6	1479.6	+6.8	-
Pen. Eq. Acc	2021.5	2127.9	+10.1	-
Pen. Am. Eq Cap	156.0	164.3	+1.5	-
Pen. Am. Eq Acc	189.0	199.0	+1.8	-
Pen. Far East Cap	246.5	259.5	+2.4	-
Pen. Far East Acc	298.8	314.6	+3.1	-
Pen. Euro Cap	27.5	28.8	-	-
Pen. Euro. Acc	29.8	31.4	-	-
Pen. B.S. Acc	547.0	574.4	+0.4	-
Pen. B.S. Cap	327.1	343.5	+0.2	-
Pen. D.A.F. Acc	382.9	382.9	+0.3	-
Pen. D.A.F. Cap	257.0	257.0	+0.1	-
Pen. Mortgage Cap	146.9	154.7	+0.1	-

City of Edinburgh Life Assurance

46 Charlotte Sq, Edinburgh

City of Westminster Assurance Co

PO Box 469, 500 Avebury Blvd, Milton Keynes

Clerical Medical/Fidelity International

Narrow Plain, Bristol

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Premium Life Assurance Co Ltd

37-39, Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	131.0	138.0	1.0	–
Building Soc. Fd.	172.0	182.0	----	–
Balanced	289.0	305.0	----	–
European	181.0	191.0	----	–
GT Managed	181.0	191.0	2.0	–
Cartmore Mngd	119.0	126.0	1.0	–
German	129.0	136.0	1.0	–
Gilt	185.0	195.0	----	–
Global	48.0	51.0	----	–
High Inc.	123.0	130.0	----	–
International Equity	200.0	211.0	----	–
Japan	241.0	254.0	-1.0	–
Managed	64.0	68.0	----	–
Property	283.0	298.0	----	–
R. W. Imperial Gold	149.0	157.0	----	–
UK Equity	371.0	391.0	----	–
Pension Funds				
American	150.0	158.0	----	–
Building Soc. Fd.	173.0	183.0	----	–
Balanced	222.0	234.0	----	–
European	182.0	192.0	----	–
German	113.0	119.0	----	–
Gilt	156.0	165.0	----	–
International Equity	144.0	152.0	----	–
Japan	138.0	146.0	----	–
Managed	66.0	70.0	-1.0	–
Property	218.0	230.0	----	–
UK Equity	337.0	355.0	-1.0	–

Prolific Life & Pensions Ltd

Stramongate, Kendall Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Grth Mngd.	609.6	642.4	-0.1	–
Adventurous Mngd.	131.4	138.5	0.2	–
Secure Mngd.	111.0	117.0	-0.6	–
Cash Fd.	234.8	247.5	----	–
Property Fund	288.1	306.5	----	–
Equity Fund	689.0	726.1	-0.1	–
Fxd. Int. Fund	301.5	317.8	-0.1	–
International	304.0	323.5	-0.2	–

Prudential Holborn Pensions Ltd—Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
Communications	107.6	113.3	+1.4	
Smaller Companies	112.2	118.2	+0.2	
International Small Co.	133.2	140.3	+1.3	

Prudential Pensions Limited

Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary July 19	£160.74	166.39	0.73	
Equity July 19	£179.83	185.68	1.73	
International July 19	£26.21	27.07	-0.21	
Intl Bond July 19	£12.41	12.58	-0.08	
Fixed Int July 19	£73.04	74.02	0.61	
Index Linked July 19	£62.44	63.31	0.66	
Property July 19	£112.11	118.75	0.13	
Cash July 19	£21.1407	21.1407	0.0499	
Pre-Linked Retirement Plan				
Managed July 19	394.4	410.9	----	
Cash July 19	198.5	206.8	----	
Prudential Pensions Investment Account				
Pens Mngd July 20	158.7	170.6	0.4	
Pens UK Eq July 20	316.8	341.9	1.9	
Pens Intl July 20	181.9	195.9	-1.9	
Pens Fixed July 20	167.6	176.9	-0.1	
Pens Index Lk July 20	159.9	168.9	1.2	
Pens Cash July 20	129.6	136.6	----	

Regency Life Assurance Co Ltd

Regency Hse, Lanark Sq, London E14 9XS 01-538 8000

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Pftlo Fd.	122.0	128.4	----	
Balanced Pftlo Fd.	319.8	336.6	----	
Cautious Pftlo Fd	122.9	129.3	----	
Elite Fund	114.5	120.5	----	
European Fund	87.8	92.4	----	
Far East Fund	105.0	110.5	----	
Fixed Interest Fund	241.9	254.6	----	
International Fund	276.0	290.5	----	
Money Fund	177.7	187.0	----	
N. American Fd.	121.2	127.5	----	
Property Fund	424.2	446.5	----	
UK Equity Fd.	393.1	413.7	----	
A.I.M. Brwin Dlphn Fd.	96.0	101.0	----	
Swiss Select Inv.	110.6	116.4	----	

Royal Bank of Canada Funds

RBC Offshore Fund Managers Ltd

PO Box 246 St Peter Port, Guernsey 0481 23021

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Capital Fd	5	$50.37	50.37	54.45	(z)	–
Far East & Pacific Fd	5	$35.94	35.94	39.10	(z)	–
North America Fd.	5	$14.62	14.62xd	15.71	+0.13	–
Canadian Fd.	5	C$14.07	14.07	15.16	+0.18	–
Intl Bond Fd	5	$11.66	11.66	12.32	(z)	2.51
European Fund	5	$11.40	11.40	12.39	(z)	–
British Fund	5	£5.48	5.48	5.95	(z)	–
RBC Intl Currencies Fd Ltd						
US$		$–		32.28	+0.01	–
Canadian $		C$–		42.45	+0.01	–

Samford Brandt Guernsey Mngt. Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Tech and Comms.	£10.99	11.67	–	–
Pacific Basin Fd	$95.16	101.03	+7.00	–
Western European	$17.84	19.11	–	–

The Bangkok Fund

Merrill Lynch Intl Capital Mngmt (Gy) Ltd

July 19 Nav US$52.56ad Bain. (1,358,14xd)(for info only)

Baring Intl Fund Managers Guernsey Ltd

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

JERSEY (**)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99	98	Exch 10pc 1989	99xd	.....	–	–
99	98½	Exch 11pc 1989	99	.....	11.07	13.48
98	95¾	Treas 5pc 1986-89	98	+	5.08	11.63
99½	98¾	Exch 10¼pc Cv '89	99	+	10.34	12.72
101	99	Treas 13pc 1990‡‡	100	.....	12.96	12.19
130¾	124	Treas 2pc IL '90 (84.6)	130½xd	+¼	2.09	9.98
99	98	Exch 11pc 1990‡‡	99¼xd	.....	11.08	12.30
101	99¾	Exch. 12½pc 1990	99	.....	12.52	12.68
94	91	Treas. 3pc 1990	94	+½	3.17	10.18
96¾	95¾	Treas 8¼pc 1987-90‡‡	96¾	.....	8.51	11.91
98	95¼	Treas. 8pc Cv 1990‡‡	97	+	8.24	11.15
98	96	Treas. 10pc Cv 1990	97½	+	10.24	11.98
92	87	Exch 2½pc 1990	92	+	2.72	9.01
101	98	Treas 11¾pc 1991	99¼	+	11.77	11.85
92	89¾	Funding 5¾pc '87-91‡‡	92	+	6.20	10.49
90	86	Treas. 3pc 1991	90	+	3.34	9.31
100	95	Treas 10pc Cv '91 ‡‡	97¼	+	10.30	11.70
101	97	Exch. 11pc 1991	99	+	11.09	11.99
94	91	Treas. 8pc 1991	93	+	8.59	11.37
106	102	Treas 12¾pc 1992‡‡	103xd	+	12.29	10.99
99½	95	Treas 10pc 1992	97xd	+	10.24	11.06
94	91	Treas. 8pc 1992 ‡‡	92	+	8.62	11.10
100¼	96	Treas 10½pc Cv 1992‡‡	98	+	10.64	11.02
85	82¼	Treas. 3pc 1992	84	+	3.54	9.16
105	101¼	Exch. 12¼pc '92	103xd	+	11.86	10.97
109¼	104	Exch 13½pc 1992	106	+	12.65	10.88
94	90	Treas 8¾pc 1993	92	+	8.91	10.79

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS—Contd

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'w	Y'ld Gr's
20⅝	16⅞	FPL Group 1c	19¼xd	+¼	$2.28	–	7.3
32⅞	27⅝	Ford Motor $1	31	+1⁄16	$3.00	–	6.1
45½	30⅞	GATX 62½c	44⅝	+¼	$2.00	–	2.8
35¼	24¼	Gen. Elect. 63c	34⅞	+1½	$1.64	–	3.0
568p	483p	General Host Corp $1	511p	+24	30c	–	3.7
39¼	18¼	Gillette $1	26⅝	+⅛	96c	–	2.3
987p	616p	Gt Am First Svgs Bk $1	885p	-6	60c	–	4.7
23⅝	16⅞	Greyhound $1½	20[illegible]	.....	$1.32	–	4.0
14¼	847p	Hasbro Inc 50c	13	+⅛	16c	–	0.8
52⅝	32¼	Honeywell $1½	53⅝xd	+1⅛	$2.10	–	2.6
21¼	15¼	Houston Inds. §	20⅝	+½	$2.96	–	9.1
74⅞	63½	IBM Corpn $1¼	70⅞xd	.....	$4.84	–	4.3
60p	45p	Image Storage/R.Sys.1c	55p	.....	–	–	–
28¼	18¼	Ingersoll-Rand $2	28⅛xd	+¼	$1.20	–	2.7
33	22½	Lockheed Crpn $1	30⅝xd	.....	$1.60	–	3.3
22⅝	15⅞	Lone Star Inds $1	19⅞	+⅛	$1.90	–	6.2
25	17½	Louisiana Land 15c	24[illegible]	+⅛	$1.00	–	2.6
17	11½	Lowe's 50c	15⅞xd	+⅛	48c	–	1.9
25¼	15⅞	Manuf. Hanover $1	25⅛	+⅞	$3.28	–	8.3
20½	13⅞	Merrill Lynch $1	20⅝	+⅞	$1.00	–	3.1
2253p	1910p	Molex Inc	2107p	+40	3.2c	–	–
27⅞	18¼	Morgan (JP) $2½	23⅞xd	+⅞	$1.66	–	4.5
54½	36¼	NYNEX $1	49½	.....	$4.36	–	5.6
24⅝	18¼	PHH Corp. §	23	+¼	$1.12	–	3.1
259p	180p	Pacific Agr. §	180p	.....	–	–	–
27¼	19	Pacificorp $3¼	25½xd	+⅛	$2.76	–	6.6
27¼	16⅞	Pacific Telesis 10c	27¼	+⅛	$1.88	–	4.4
22¼	15¼	Pall Corp 25c	21	+⅛	48c	–	1.4
55⅞	39⅞	Pennzoil 83 1/3c	50⅛xd	+½	$3.00	–	3.7
25½	17⅞	Premark Intl	23⅞	+⅞	84c	–	2.3
42¼	28¼	Quaker Oats $5	41	+1⁄16	$1.20	–	1.9
32⅞	23½	Rep NY Corpn $5	30⅞xd	+⅛	$1.28	–	2.7

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

INSURANCES—Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed.
§ Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♠ Not comparable
♠ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
x Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
I No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88 L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... γ	97	......
Craig & Rose £1.. γ	838	......
Finlay Pkg. 5p.... γ	88	......
Holt (Jos) 25p..... γ	1343	......

Arnotts............. γ	418	......
Carrol (P.J.)....... γ	155	......
Hall (R. & H.)..... γ	170	......
Heiton Hldgs...... γ	82	+1
Irish Ropes......... γ	205	......
United Drug........ γ	132	−3

IRISH

Cap. 8½% Ln. 1991.. γ	£98½	......
9pc Cap Ln. 1996. γ	£101¼	+¼
Fin. 13% 97/02.. γ	£121¼	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons............ γ	38
Amstrad................. γ	11
BAT..................... γ	80
BOC Grp................. γ	42
BSR..................... γ	6½
BTR..................... γ	32
Barclays................ γ	42
Beecham................. γ	50
Blue Circle............. γ	48
Boots................... γ	25
Bowaters................ γ	44
Brit Aerospace.......... γ	52
British Steel........... γ	7½
Brit. Telecom........... γ	21
Burton Ord.............. γ	18
Cadburys................ γ	46
Charter Cons............ γ	48
Comm Union.............. γ	32
Courtaulds.............. γ	30
FKI Babcock............. γ	14
FNFC.................... γ	22
Gen Accident............ γ	85
GEC..................... γ	20
Glaxo................... γ	110
Grand Met............... γ	48
GUS 'A'................. γ	90
Guardian................ γ	18
GKN..................... γ	34
Hanson.................. γ	16
Hawker Sidd............. γ	60
ICI..................... γ	100
Jaguar.................. γ	28
Ladbroke................ γ	28
Legal & Gen............. γ	26
Lex Service............. γ	33
Lloyds Bank............. γ	29
Lucas Inds.............. γ	58
Marks & Spencer......... γ	15
Midland Bk.............. γ	38
Morgan Grenfell......... γ	24
Nat West Bk............. γ	25
P & O Dfd............... γ	55
Plessey................. γ	22
Polly Peck.............. γ	26
Racal Elect............. γ	40
RHM..................... γ	42
Rank Org Ord............ γ	80
Reed Intnl.............. γ	34
STC..................... γ	32
Sears................... γ	10
TI...................... γ	38
TSB..................... γ	10
Tesco................... γ	14
Thorn EMI............... γ	58
Trust Houses............ γ	24
T&N..................... γ	18
Unilever................ γ	46
Vickers................. γ	18
Wellcome................ γ	42

Property

Brit Land............... γ	32
Land Securities......... γ	52
MEPC.................... γ	50
Randsworth.............. γ	28

Oils

Brit Petroleum.......... γ	21
Burmah Oil.............. γ	50
Calor................... γ	35
Charterhall............. γ	2½
Premier................. γ	9
Shell................... γ	32
Ultramar................ γ	26

Mines

Cons Gold............... γ	100
Lonrho.................. γ	30
RTZ..................... γ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Mixed messages for the dollar

THE DOLLAR fluctuated within a fairly narrow range yesterday as markets digested comments by Mr Alan Greenspan, chairman of the US Federal Reserve, in testimony to Congress.

The US unit broke through support at DM1.9030 and briefly fell below DM1.90 after Mr Greenspan said that the Fed was seeking to avoid a recession. This was taken to mean that US rates could be reduced in order to maintain economic growth. However, the US unit soon recovered when he added that the Fed would be cautious in deciding whether to ease credit conditions further.

The dollar closed at DM1.9005 from DM1.9020 and Y141.40 compared with Y141.95. Elsewhere, it finished at SFr1.6410 from SFr1.6470 and FFr6.4475 against FFr6.4535. On Bank of England figures, the dollar's exchange rate index was unchanged at 70.4.

Sterling finished close to its best level of the day. Its exchange rate index rose to 92.5, its highest level for seven weeks and up from 92.3 at the opening and 92.4 on Wednesday. Investors remain confident about the determination of the UK authorities to keep interest rates high, and June money supply figures showed that any chance of an early reduction in rates was unlikely. While M4 bank lending rose by £7bn compared with a median forecast of a £6.5bn rise, the narrowly-defined money supply M0 was up by 0.7 per cent against expectations of 0.5.

The pound's improvement gathered momentum as it broke through resistance at $1.6160 to finish at $1.6270 from $1.6195 and DM3.0925 from DM3.0800 but was unchanged against the yen at Y230.00. Elsewhere, it finished at SFr2.6700 from SFr2.6675 and FFr10.4900 compared with FFr10.4500.

The Australian dollar showed a much steadier performance after Wednesday's sharp fall, closing in Sydney yesterday at 74.85 US cents compared with 74.79 in London on Wednesday. Latest available figures show that tight monetary conditions applied by the authorities are beginning to work. Retail sales in May fell by just under 5 per cent to A$6.4bn, the largest monthly drop since 1965. In addition, demand for mortgages fell by 3.3 per cent in the same month, no doubt influenced by house loan rates as high as 18 per cent. But most traders see little chance of an early cut in interest rates. In London the Australian dollar closed at 74.76.

The D-Mark continued to lose ground against the yen as investors unwound long D-Mark/ short yen positions before Sunday's Japanese elections. The D-Mark closed in London at Y74.40 from Y74.68 on Wednesday, but this was well up from early quotations of around Y74.25. The break below support at Y74.30 could see short-term investors testing support at Y74.00.

Elsewhere, the West German unit was barely changed against the French franc at FFr3.3925 from FFr3.3930 previously.

£ IN NEW YORK

July.20	Latest	Previous Close
£ Spot	1.6270-1.6280	1.6130-1.6140
1 month	0.66-0.65pm	0.68-0.66pm
3 months	1.95-1.92pm	1.97-1.94pm
12 months	7.40-7.30pm	7.00-6.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July.20	Previous
8.30 am	92.3	92.2
9.00 am	92.4	92.3
10.00 am	92.4	92.3
11.00 am	92.5	92.3
Noon	92.5	92.3
1.00 pm	92.4	92.4
2.00 pm	92.4	92.5
3.00 pm	92.5	92.5
4.00 pm	92.5	92.4

CURRENCY RATES

July.20	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling $	-	1.27706	1.48912
U.S Dollar	7	1.26775	1.08386
Canadian $	12.39	1.50697	1.28654
Austrian Sch.	5	16.9524	14.5844
Belgian Franc	7.75	50.4755	43.4303
Danish Krone	7½	9.35409	8.05471
Deutsche Mark	5.00	2.41063	2.07343
Neth.Guilder	5.50	2.71869	2.33984
French Franc	9½	8.17889	7.03480
Italian Lira	13½	1744.58	1499.41
Japanese Yen	2½	180.147	153.746
Norway Krone	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]
Swedish Krona	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]
Greek Drach.	[illegible]	[illegible]	[illegible]
Irish Punt	[illegible]	[illegible]	0.775236

* Sterling quoted in terms of SDR and ECU per £. † European Commission Calculations. * All SDR rates are for July.19

CURRENCY MOVEMENTS

July.20	Bank of England Index	Morgan* Guaranty Changes %
Sterling	92.5	-18.9
U.S. Dollar	70.4	-7.5
Canadian Dollar	103.9	+0.3
Austrian Schilling	106.8	+9.9
Belgian Franc	99.4	-6.4
Danish Krone	106.1	-5.9
Deutsche Mark	103.7	-1.1
Swiss Franc	113.1	+20.8
Guilder	107.2	-16.1
French Franc	110.4	+13.4
Lira	99.4	-15.4
Yen	99.2	-18.8
	138.8	+68.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100*Rates are for July.19.

OTHER CURRENCIES

July.20	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Luxembourg	[illegible]	[illegible]
Malaysia	[illegible]	[illegible]
Mexico	[illegible]	[illegible]
N. Zealand	[illegible]	[illegible]
Saudi Ar.	[illegible]	[illegible]
Singapore	[illegible]	[illegible]
S. Af (Cm)	[illegible]	[illegible]
S. Af (Fn)	[illegible]	[illegible]
Taiwan	[illegible]	[illegible]
U.A.E.	[illegible]	[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July.20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4303	+2.29	+1.02	±1.5424
Danish Krone	7.85212	8.05471	+2.58	+1.31	±1.6419
German D-Mark	2.05853	2.07343	+0.72	-0.55	±1.1019
French Franc	6.90403	7.03480	+1.89	+0.62	±1.3719
Dutch Guilder	2.31943	2.33984	+0.88	-0.39	±1.5019
Irish Punt	0.768411	0.775236	+0.89	-0.38	±1.6689
Italian Lira	1483.58	1499.41	+1.07	+0.51	±4.0815
Spanish Peseta	130.000	130.280	+0.22	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

July.20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6080 - 1.6295	1.6265 - 1.6275	0.69-0.66cpm	4.98	1.97-1.93pm	4.79
Canada	1.9115 - 1.9310	1.9280 - 1.9290	0.31-0.21cpm	1.62	0.87-0.73pm	1.66
Netherlands	3.47½ - 3.49¼	3.48¼ - 3.49¼	2¼-1⅞cpm	6.88	5¾-5⅝pm	6.59
Belgium	64.45 - 64.85	64.70 - 64.80	34-30cpm	5.93	90-84pm	5.37
Denmark	11.97¼ - 12.06	12.05 - 12.06	4⅝-4⅛orepm	4.54	13⅝-12⅞pm	4.40
Ireland	1.1520 - 1.1565	1.1555 - 1.1565	0.45-0.40ppm	4.41	1.20-1.10pm	3.98
W. Germany	3.07¼ - 3.09½	3.09 - 3.09½	1⅞-1⅝pfpm	7.03	5⅛-5¼pm	6.79
Portugal	257.20 - 260.05	259.05 - 260.05	14-22cdis	-0.83	90-142dis	-1.79
Spain	193.00 - 194.50	194.00 - 194.30	4-17cdis	-0.65	42-59dis	-1.04
Italy	2229¼ - 2237½	2236½ - 2237½	6-3lirepm	2.41	11-9pm	1.79
Norway	11.27¼ - 11.36½	11.35½ - 11.36½	3¼-2¼orepm	3.17	8¼-7⅝pm	2.79
France	10.44½ - 10.49⅝	10.48½ - 10.49½	4½-4¼cpm	5.00	12½-12¼pm	4.69
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 65.00-65.10. Six-month forward dollar 3.77-3.72cpm 12 months 6.95-6.85cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

July.20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6080 - 1.6295	1.6265 - 1.6275	0.69-0.66cpm	4.98	1.97-1.93pm	4.79
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 39.95-40.05.

EURO-CURRENCY INTEREST RATES

July.20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 8⅞-8⅝ per cent; three years 8⅞-8⅝ per cent; four years 8⅞-8⅝ per cent; five years 8⅞-8⅝ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July.20	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.627	3.093	230.0	10.49	2.670	3.488	2237	1.929	64.75
$	0.615	1	1.901	141.4	6.447	1.641	2.144	1375	1.186	39.80
DM	0.323	0.526	1	74.36	3.392	0.863	1.128	723.2	0.624	20.93
YEN	4.348	7.074	13.45	1000.	45.61	11.61	15.17	972.6	8.387	281.5
F Fr.	0.953	1.551	2.949	219.3	10.	2.545	3.325	2133	1.839	61.73
S Fr.	0.375	0.609	1.158	86.14	3.929	1	1.306	837.8	0.722	24.25
H Fl.	0.287	0.466	0.887	65.94	3.007	0.765	1	641.3	0.553	18.56
Lira	0.447	0.727	1.383	102.8	4.689	1.194	1.559	1000.	0.862	28.95
C $	0.518	0.843	1.603	119.2	5.438	1.384	1.808	1160	1	33.57
B Fr.	1.544	2.513	4.777	355.2	16.20	4.124	5.387	3455	2.979	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Confident mood returns

A FURTHER rise in short sterling futures in yesterday's Liffe market suggests that investors remain optimistic about a cut in UK interest rates. The September contract moved up to 86.44 at the close compared with 86.34 at the opening and 86.37 on Wednesday.

The weaker start reflected a brief dip by sterling and initial firmness in cash rates. However, investors remained on the lookout for good news and pushed short sterling prices sharply higher on the release of clearing bank lending before learning that total M4 lending was higher than expected. Sentiment is underpinned by sterling's stronger performance, but there is still little prospect of any early cut in bank base rates.

West German Government bond futures were marked up sharply as cash rates in Frankfurt fell below the 7 per cent Lombard rate. The September contract opened lower at 95.22 from 95.23 on Wednesday but moved up to touch a high of 95.60 before closing at 95.55. Trading volume was brisk with over 21,000 lots changing hands.

US Treasury bonds finished stronger as investors formed a majority view that US interest rates are more likely to fall than rise in the short term. The September price closed at 97.18, up from 97.10 at the start and 97.04 previously.

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 941 Puts 1333. Previous day's open int. Calls 14384 Puts 19949

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 155 Puts 35. Previous day's open int. Calls 2667 Puts 3038

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 1023 Puts 771. Previous day's open int. Calls 13447 Puts 15017

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls-settlements Aug	Calls-settlements Sep	Puts-settlements Aug	Puts-settlements Sep
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 0 Puts 0. Previous day's open int. Calls 196 Puts 23

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 115 Puts 20. Previous day's open int. Calls 5546 Puts 4131

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Sep	Calls-settlements Dec	Puts-settlements Sep	Puts-settlements Dec
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume total, Calls 1191 Puts 605. Previous day's open int. Calls 24608 Puts 20636

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	96-10	96-11	95-22	95-21
Dec	96-00	95-17	95-17	95-11

Estimated volume 14602 (9153). Previous day's open int. 28761 (29519)

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev.
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

Estimated volume 0 (0). Previous day's open int. 0 (0)

US TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev.
Sep	97-18	97-22	97-10	97-04
Dec	97-11	[illegible]	[illegible]	96-26

Estimated volume 3162 (3442). Previous day's open int. 7739 (7560)

6% NOTIONAL GERMAN GOVT. BOND DM250,000 100ths of 100%

	Close	High	Low	Prev.
Sep	95.55	95.60	95.22	95.23
Dec	95.55	95.52	95.23	95.23
Mar	95.45			95.13

Estimated volume 21656 (22602). Previous day's open int. 40884 (39145)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Sep	104.89	104.89	104.72	104.68
Dec	104.29	104.23	104.23	104.08

Estimated volume 456 (423). Previous day's open int. 992 (977)

THREE MONTH STERLING £500,000 points of 100%

	Close	High	Low	Prev.
Sep	86.44	86.48	86.31	86.37
Dec	87.25	87.26	87.13	87.17
Mar	87.97	87.99	87.83	87.87
Jun	88.35	88.35	88.24	88.25

Est. Vol. (inc. figs. not shown) 29630 (27232). Previous day's open int. 92992 (91422)

THREE MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev.
Sep	91.54	91.54	91.47	91.44
Dec	91.93	91.94	91.85	91.83
Mar	92.19	92.19	92.11	92.09
Jun	92.19	92.20	92.10	92.05

Est. Vol. (inc. figs. not shown) 8639 (6550). Previous day's open int. 47670 (47509)

THREE MONTH EUROMARK DM 1m points of 100%

	Close	High	Low	Prev.
Sep	93.22	93.25	93.14	93.17
Dec	93.31	93.35	93.21	93.23
Mar	93.42	93.43	93.34	93.33
Jun	93.46			93.38

Estimated volume 4272 (3765). Previous day's open int. 15364 (15159)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev.
Sep	2323.0	2330.0	2307.0	2333.0
Dec	2368.0			2378.0

Estimated volume 2814 (2899). Previous day's open int. 18944 (19119)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6270	1.6205	1.6075	1.5896	1.5580

IMM-STERLING $ per £

	Latest	High	Low	Prev.
Sep	1.6090	1.6090	1.5990	1.6006
Dec	1.5890	1.5920	1.5900	1.5852
Mar	1.5664	1.5664	1.5610	1.5644
Jun	1.5510	1.5510	1.5450	1.5476

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
1.575	4.79	5.27	5.50	5.92	0.73	0.60	2.42	3.86
1.600	3.00	3.71	4.02	4.57	1.49	1.09	3.52	5.09
1.625	1.78	2.49	2.84	3.43	2.59	1.82	4.90	6.53
1.650	0.94	1.59	2.03	2.54	3.73	2.72	6.45	8.14
1.675	0.43	1.05	1.36	1.93	6.24	4.05	8.31	9.90
1.700	0.13	0.60	0.86	1.38	8.03	5.66	10.29	11.80
1.725	0.04	0.31	0.52	0.99	-	17.31	12.41	13.82

Previous day's open int: Calls 324,987 Puts 361,749 (All currencies). Previous day's volume: Calls 18,099 Puts 15,388 (All currencies)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Sep	0.6099	0.6095	0.6048	0.6054
Dec	0.6113	0.6113	0.6091	0.6076
Mar	0.6130	0.6190	-	0.6098

JAPANESE YEN (IMM) Y12.5m $ per Y100

	Latest	High	Low	Prev.
Sep	0.7102	0.7115	0.7083	0.7068
Dec	0.7150	0.7162	0.7138	0.7121
Mar	0.7200	0.7200	0.7183	0.7171
Jun				0.7222

DEUTSCHE MARK (IMM) DM125,000 $ per DM

	Latest	High	Low	Prev.
Sep	0.5262	0.5263	0.5240	0.5252
Dec	0.5283	0.5283	0.5263	0.5275
Mar	0.5290	0.5290	0.5284	0.5296
Jun				0.5317

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Sep	338.40	338.05	338.15	338.25
Dec	342.50	342.80	342.30	342.30
Mar	346.50	346.85	346.10	346.50

EUROPEAN OPTIONS EXCHANGE

Series		Aug. 89 Vol	Aug. 89 Last	Nov. 89 Vol	Nov. 89 Last	Feb. 90 Vol	Feb. 90 Last	Stock
Gold P	$ 370	-	-	185	9	-	-	$ 373.70
Gold P	$ 380	183	10.50 a	87	14 a	-	-	$ 373.70

Series		Jul. 89 Vol	Jul. 89 Last	Aug. 89 Vol	Aug. 89 Last	Sep. 89 Vol	Sep. 89 Last	Stock
EOE Index C / EOE Index P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Fl. 315.77
$/Fl C	Fl. 220	264	0.05	25	1.50	-	-	Fl. 214.70
$/Fl C	Fl. 230	-	-	-	-	100	0.80	Fl. 214.70

Series		Jul. 89 Vol	Jul. 89 Last	Oct. 89 Vol	Oct. 89 Last	Jan. 90 Vol	Jan. 90 Last	Stock
ABN C	Fl. 45	2197	0.30	1146	1.90 b	168	2.60	Fl. 45
ABN P	Fl. 45	28	0.40	216	1.30	25	2.50	Fl. 45
Aegon C … Philips P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Dutch C	Fl. 140	2761	3.80	2153	7.20	131	9 b	Fl. 144
Royal Dutch P	Fl. 130	-	-	139	1.30	-	-	Fl. 144
Unilever C	Fl. 150	252	0.80	704	6	127	7.80	Fl. 150.30
Unilever P	Fl. 150	20	0.50	169	4	168	6.20	Fl. 150.30
Van Ommeren C	Fl. 45	795	2	233	4.80	10	6.60	Fl. 47.10
Van Ommeren P	Fl. 50	144	2.80	102	4.80	-	-	Fl. 47.10
Wessanen C	Fl. 90	191	1.80	22	5	5	7	Fl. 91.80

TOTAL VOLUME IN CONTRACTS : 96,099

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

UK rates steadier

UK INTEREST rates managed to retain the bullish undertone seen recently despite disappointing money supply data for June. M4 bank lending and the narrowly defined M0 money supply both expanded a little more than expected, but the news failed to push rates firmer. Three-month interbank money finished unchanged at 14-13⅞ per cent while the one-year rate edged down to 13⅞-13¾ per cent from 13⅞-13¾. Interest rates will now remain in a narrow range until the next test of sentiment which comes next Wednesday with the release of June trade figures.

UK clearing bank base lending rate 14 per cent from May 24

The Bank of England forecast a shortage of around £600m. Factors affecting the market included a rise in the note circulation of £90m and banks' balances brought forward £210m below target. Exchequer transactions took out a further £150m while bills maturing in official hands and a take-up of Treasury bills, together with repayment of late assistance drained £349m.

The forecast was revised to a shortage of around £950m, and the Bank gave assistance in the morning through outright purchases of £738m of eligible bank bills, £380m in band 1 and £358m in band 2 at unchanged rates. Additional help in the afternoon came to £111m, and comprised outright purchases of £91m of eligible bank bills in band 1, and in band 2 £2m of local authority bills and £18m of bank bills, all at 13¾ per cent. Late help came to £40m, making a total of £889m.

In Frankfurt call money fell to 6.85-6.95 per cent compared with 6.95-7.0 per cent on Wednesday. The softer tone came despite the dismay shown by traders on Wednesday after the Bundesbank drained liquidity from the market through its latest sale and repurchase facility. However, the redemption of over DM3.9bn of Government paper held by the market was not taken into account by market traders when making a quick calculation of liquidity levels. The supply of short-term credit is now expected to be sufficient to meet tax payments and other requirements up to the month end.

In New York, the US Federal Reserve drained funds from the banking system through a matched four-day sale and repurchase agreement. Traders expect the authorities to continue to drain funds from a market currently well stocked with short-term liquidity because a failure to do so could be misconstrued as an easing in monetary conditions.

FT LONDON INTERBANK FIXING

(11.00 a.m. July.20) 3 months US dollars		6 months US Dollars	
bid 8⅞	offer 8⅞	bid 8⅞	offer 8⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Lunchtime — Treasury Bills and Bonds

Prime rate	10½	One month	8.07
Broker loan rate	10¼	Two month	8.12
Fed. funds	9¼	Three month	7.90
Fed. funds at intervention	9⅛	Six month	7.86
		One year	7.75
		Two year	7.79
		Three year	7.76
		Four year	7.79
		Five year	7.79
		Seven year	7.90
		10-year	8.00
		30-year	8.11

July.20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.85-6.95	6.90-7.05	6.90-7.05	6.90-7.05	6.95-7.10	7.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	9⅛-9⅛	8.75
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	-	-
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	-	-
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	-	-
Milan	[illegible]	[illegible]	[illegible]	[illegible]	-	-
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	-	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	10-10¼	-

LONDON MONEY RATES

July.20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	13⅞	13⅞
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	13¾	13⅞
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	13¾	13⅞
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	13⅞	13⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt. Deps.	[illegible]	[illegible]	[illegible]	[illegible]	-	-
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	13⅞	13½
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	13⅞	13½
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	-	-
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	12⅞	-
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	13½	-
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	8.73	8.50
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	8⅞	8⅞
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	8⅞	8⅞
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	9⅞	9⅞
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	9⅞	9¼

Treasury Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent; Bank Bills (sell): one-month 13⅞ per cent; three months 13⅞ per cent; Treasury Bills; Average tender rate of discount 13.4342 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June.30, 1989. Agreed rates for period July 26, 1989 to August 25, 1989, Scheme I: 14.90 p.c., Schemes II & III: 15.51 p.c. Reference rate for period June 1 to June 30, 1989, Scheme IV&V: 14.175 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 14 from July 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11 per cent; nine-twelve months 11 per cent; Under £100,000 9½ per cent from December 1, 1988. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

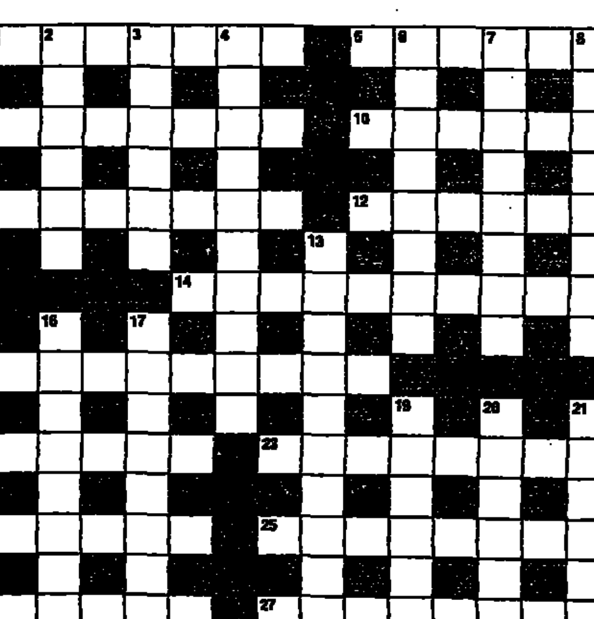
	%		%		%
ABN Bank	14	Clydesdale Bank	14	NatWestminster	14
Adam & Company	14	Comm.Bk.N.East	14	Northern Bank Ltd	14
AAB - Allied Arab Bk	14	Co-operative Bank	*14	Norwich Gen. Trust	14
Allied Irish Bank	14	Coutts & Co	14	PRIVATbanken Limited	14
● Henry Ansbacher	14	Cyprus Popular Bk	14	Provincial Bank PLC	15
Associates Cap Corp	14	Dunbar Bank PLC	14	R. Raphael & Sons	14
Authority Bank	14	Duncan Lawrie	14	Roxburghe G'rantee	14½
● B & C Merchant Bank	14	Equatorial Bank plc	14	Royal Bk of Scotland	14
Bank of Baroda	14	Exeter Trust Ltd	14½	Royal Trust Bank	14
Banco Bilbao Vizcaya	14	Financial & Gen. Bank	14	● Smith & Williamson Secs.	14
Bank Hapoalim	14	First National Bank Plc	15	Standard Chartered	14
Bank Credit & Comm	14	● Robert Fleming & Co.	14	TSB	14
Bank of Cyprus	14	Robert Fraser & Ptnrs.	14½	United Bk of Kuwait	14
Bank of Ireland	14	Girobank	14	United Mizrahi Bank	14
Bank of India	14	● Guinness Mahon	14	Unity Trust Bank Plc	14
Bank of Scotland	14	HFC Bank plc	14	Western Trust	14
Banque Belge Ltd	14	● Hambros Bank	14	Westpac Bank Corp.	14
Barclays Bank	14	Heritable & Gen Inv Bnk	14	Whiteaway Laidlaw	14
Benchmark Bank PLC	14	● Hill Samuel	§14	Yorkshire Bank	14
Berliner Bank AG	14	C. Hoare & Co.	14		
Brit Bk of Mid East	14	Hongkong & Shangh.	14		
● Brown Shipley	14	● Leopold Joseph & Sons	14		
Business Mtge Tst	14½	Lloyds Bank	14		
CL Bank Nederland	14	Meghraj Bank Ltd	14		
Central Capital	14	McDonnell Douglas Bnk	14		
● Charterhouse Bank	14	Midland Bank	14		
Citibank NA	14	Mount Banking	14		
City Merchants Bank	14	Nat Bk. of Kuwait	14		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Savewise 8.5%. Top Tier-£10,000+ instant access 12.8% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 13.25% - 15%

JOTTER PAD

CROSSWORD

No.6,991 Set by CINEPHILE



Solutions to the clues marked * are more or less synonymous: the definition parts of these clues are omitted.

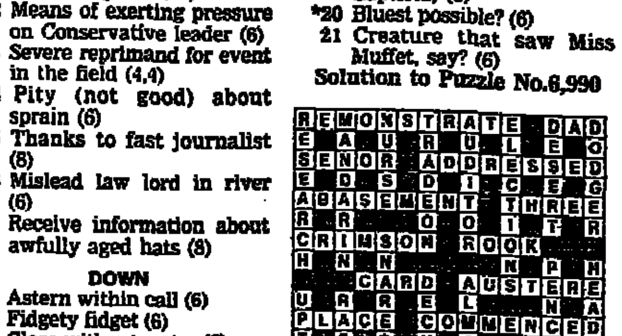
ACROSS

1 Maybe badger in charge of maybe budgie (8)
*5 Second way to turn? (6)
9 Betroth a very loud Scotsman to the English church (8)
*10 Mildly disapprove in rough sea (6)
11 Article (or near offer) of compiler in subjection to God (8)
*12 *First* way to turn in France? (6)
14 Commanding officer gets medal punctually, as usual to a bar (6,4)
*18 Record on most of computer no good? (10)
*22 Means of exerting pressure on Conservative leader (6)
23 Severe reprimand for event in the field (4,4)
*24 Pity (not good) about sprain (6)
*25 Thanks to fast journalist (8)
26 Mislead law lord in river (6)
27 Receive information about awfully aged hats (8)

DOWN

*1 Astern within call (6)
*2 Fidgety fidget (6)
*3 Close without water (6)
4 Put together again – more than recompense, do you hear? (10)
6 Dine, changed, amid remains of liver, possibly (8)
7 Syrupy, sticky stuff, we hear, with *lettuce* and some ice (8)
8 Left in links for a decade (8)
13 Free cinema show gets spread (10)
*15 Silver coin in Early English, formerly a penny (8)
16 Particular pieces arranged by a student (8)
17 Decorated platform round which insect died (8)
*19 Katharina, daughter (of Baptista) (6)
*20 Bluest possible? (6)
21 Creature that saw Miss Muffet, say? (6)

Solution to Puzzle No.6,990



WORLD STOCK MARKETS

INDICES

NEW YORK — DOW JONES

	July 19	July 18	July 17	July 14	1989 High	1989 Low	Since compilation High	Since compilation Low
◆Industrials	2584.41	2544.76	2553.49	2554.82	2584.41 (19/7)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	92.85	92.84	92.91	93.02	93.02 (14/7)	87.35 (23/3)	–	–
Transport	1233.34	1232.05	1229.30	1210.54	1233.34 (19/7)	959.95 (3/1)	1233.34 (19/7/89)	12.32 (8/7/32)
Utilities	217.68	215.61	216.74	216.86	217.68 (19/7)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2590.48 (2560.70) Low 2546.47 (2531.68)

STANDARD AND POOR'S	July 19	July 18	July 17	July 14	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite‡	335.73	331.35	332.44	331.84	335.73 (19/7)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	384.22	378.73	379.67	378.70	384.22 (19/7)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	31.85	31.53	31.76	31.81	31.85 (19/7)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	187.10	184.91	185.37	185.06	187.10 (19/7)	154.98 (3/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	372.40	370.17	369.55	368.12	372.40 (19/7)	305.24 (3/1)	372.40 (19/7/89)	29.31 (9/12/72)
NASDAQ OTC Comp	451.23	447.86	449.88	448.90	453.65 (9/6)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	July 14	July 7	Jun 30	year ago (approx.)
Dow Industrial Div. Yield	3.54	3.63	3.70	3.51
	July 12	July 5	June 28	year ago (approx.)
S & P Industrial div. yield	2.98	3.06	3.00	3.03
S & P Indl. P/E ratio	13.81	13.47	13.72	14.42

TRADING ACTIVITY †Volume Millions	July 19	July 18	July 17
New York	213.062	151.323	131.151
Amex	12.157	12.619	11.119
OTC	159.875	131.876	107.887

NEW YORK	July 19	July 18	July 17
Issues Traded	1,988	1,984	1,972
Rises	1,065	588	752
Falls	440	843	718
Unchanged	483	553	502
New Highs	193	107	132
New Lows	15	16	9

CANADA

TORONTO	July 19	July 18	July 17	July 14	1989 High	1989 Low
Metals & Minerals	3308.8	3289.1	3348.5	3371.9	3564.9 (6/2)	3207.5 (3/1)
Composite	3872.7	3853.4	3854.8	3849.3	3872.7 (19/7)	3350.5 (6/1)
MONTREAL Portfolio	1959.90	1945.71	1949.76	1947.06	1959.90 (19/7)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Marion Labs	7,495,300	34½	–	Navistar	2,333,600	5¼	+ ¼
Beverly Ent	5,246,600	8¼	– ⅜	First City	2,210,600	34¼	+ 1⅜
Tandem Comp	2,690,600	19⅜	+ 1⅜	Can Pacific	2,109,900	21¼	+ ½
AT&T	2,650,900	36⅞	+ ⅝	Warner Comms	2,107,500	65⅝	
Gen Electric	2,365,300	56¼	+ 2	Ramada Inns	2,098,900	14⅝	+ ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	July 20	July 19	July 18	July 17	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1596.4	1571.2	1565.0	1563.3	1596.4 (20/7)	1412.9 (7/4)
All Mining (1/1/80)	739.8	722.1	716.2	715.9	739.8 (20/7)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	344.85	345.48	348.21	349.50	366.67 (21/6)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6060.12	6044.15	6080.71	6081.29	6158.43 (13/6)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	349.78	348.11	347.37	348.07	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	778.4	777.9	780.6	781.4	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	491.8	488.4	488.7	489.6	491.8 (20/7)	417.9 (4/1)
Ind. Tendance (30/12/88)	116.8	116.0	115.4	115.8	116.8 (20/7)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	635.11	631.70	624.11	630.47	635.11 (20/7)	535.78 (27/2)
Commerzbank (1/12/53)	1894.6	1882.7	1858.7	1872.0	1894.6 (20/7)	1595.7 (27/2)
DAX (30/12/87)	1550.82	1540.40	1520.65	1522.99	1550.82 (20/7)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2543.08	2547.10	2505.48	2502.64	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	682.02	679.64	682.65	683.39	683.39 (17/7)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33664.87	33557.17	33343.73	33456.2	34266.75 (31/5)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2509.41	2499.71	2487.93	2499.74	2544.60 (8/5)	2366.91 (6/1)
NETHERLANDS						
CBS Tll.Rtn.Gen.(End 1983)	256.3	254.8	252.9	253.7	256.3 (20/7)	208.3 (3/1)
CBS All Shr (End 1983)	199.5	198.3	196.8	197.4	199.5 (20/7)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	664.42	662.48	659.02	662.65	668.90 (14/7)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1365.39	1369.02	1361.61	1359.00	1369.02 (19/7)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1596.0ɸ	1618.0	1604.0	1594.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2679.0ɸ	2680.0	2658.0	2657.0	2680.0 (19/7)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	302.50	301.38	302.20	303.35	315.90 (13/6)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	(u)	4372.1	4370.4	4377.0	4391.1 (13/7)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	762.1	762.7	757.0	751.9	762.7 (19/7)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	520.6	517.0	517.3	522.7 (13/7)	487.6 (13/6)

ɸ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday July 20 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Daiwa House	13.1m	2,270	+80	Furukawa Elctrc.	7.2m	1,320	+10
MHI	11.2m	1,240	-10	Nippon Steel	6.9m	844	-15
Sekisui House	9.9m	2,110	+30	Daikyo	6.7m	3,810	+250
Sekisui Chemcl	9.4m	1,520	+10	Shokusan Jutaku	6.6m	1,180	-20
Showa Wire	7.3m	1,470	+40	Sankyo Alumn	6.1m	1,310	+50

3pm prices July 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
32½	21⅞	AAR	.44	1.3	22	40	u32¾	32⅜	32¾	+ ⅜
10⅜	8⅞	ACM n	1.01	11.		360	9⅜	9¼	9⅜	
11⅞	10⅛	ACMIn	1.26a	11.		472	11½	11⅛	11⅜	– ⅛
10⅜	8½	ACM M	n1.01	11.		116	9⅜	9¼	9¼	– ⅛
11½	10	ACM Sc	1.26	11.		730	11⅜	11¼	11⅜	+ ⅛
9⅝	8⅞	ACMSp	1.01	11.		672	9¼	9⅛	9¼	
17¼	10⅞	AL Lab	.12	.7	16	85	16¾	16⅝	16¾	+ ⅛
4⅛	3⅛	AMCA	.12e	3.2	25	15	3¾	3¾	3¾	
6⅛	4½	AM Intl				1659	5⅝	5⅛	5½	+ ⅛
23½	20½	AM In pf	2	9.2		26	21¾	21⅝	21⅝	
67⅞	40⅞	AMR			8	8916	u67½	65	65⅞	+ ⅛
8⅝	3⅝	ARX				88	4½	4⅜	4⅜	
43½	35⅛	ASA	3a	7.1		256	42⅞	42	42⅛	+ ⅛
22⅞	15⅛	AVX	.24	1.2	10	186	20⅛	19⅞	20⅛	+ ⅛
65⅝	48½	AbtLab	1.40	2.2	17	3761	62⅞	61⅝	62⅛	– ½
18⅝	14	Abitibi g	1			65	14⅛	14⅛	14⅛	– ⅛
13	7½	AcmeC	.40	3.4		76	11¾	11⅝	11⅝	
8⅝	5⅞	AcmeE	.32	3.9	19	70	8¼	8⅛	8⅛	
34⅞	20⅛	Acuson			25	124	31⅝	31⅜	31⅝	+ ½
16⅞	14⅛	AdaEx	1.62e	11.		66	16	16⅞	16	
14⅝	7⅞	AMD				3272	9¼	9	9	– ⅛
39⅞	28⅛	AMD pf	3	9.4		101	31⅝	31½	31⅝	– ⅛
11⅞	6½	Adobe				195	11⅛	10⅞	11	– ⅛

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅞	18⅛	RayRey	.76	3.0	9	1751	25	24¾	25	
62⅛	47¼	RoyMt	1.60	3.2	5	2202	50¾	50¼	50½	+ ¼
39	29⅛	RiteAid	.82	2.1	17	884	39	38½	38½	− ¼
1	3-16	RvrOak				355	3-16	3-16	3-16	
13¼	8⅞	Robtsn				40	12	11⅞	12	+ ⅛
30¼	21⅞	vjRobins			12	683	30½	30¼	30½	
21⅞	18½	RochG	1.60	7.3	9	261	21⅛	20½	20½	− ½
74½	45	RochTl	2.84	3.8	17	301	u74⅞	74⅛	[illegible]	+ ⅞
20⅞	18½	RckCtr	1.84	9.4	17	193	18⅞	19⅝	19⅝	+ ⅛
23½	18⅞	Rockwl	.76	3.5	7	2915	22⅞	22⅛	22⅞	
9⅞	4⅞	RodRen				22	5½	5⅛	5½	+ ⅛
37½	30⅝	RoHaas	1.12	3.4	10	544	33⅞	33¼	33⅜	− ½
37⅞	25⅝	Rohr			15	1077	29⅞	28¾	29½	+1
15⅞	9	RollnE s	.08	.7	31	4352	11¼	10½	10⅞	− ⅜
21	15⅞	Rollins	.54	2.9	18	89	18⅞	18½	18⅞	+ ⅛
48⅛	33⅞	Rorer	.80	2.1	19	1521	38½	37⅞	38⅛	− ⅛
9⅛	4½	Rowan				1089	9	8⅞	8⅞	
67⅞	52⅞	RoylD	a3.32e	5.0	9	4144	67¼	66⅞	67	− ⅛
16	8¼	Roylnt	.20a	1.4	14	136	14⅛	14	14	
9⅞	7⅜	Royce	.51e	5.4		226	9½	9⅜	9⅜	
34⅞	21¼	Rubmd	.44	1.3	24	657	u34⅞	34	34½	+ ⅜
22½	16⅛	RussBr	.40	2.3	15	183	18	17⅝	17⅞	− ⅜
14	12⅛	RussTg	.60	4.2	71	143	u14⅛	13⅞	14⅛	+ ½
23¼	14⅝	Russell	.28	1.3	15	693	21	20⅞	21	− ⅛
29	22⅝	Ryder	.60	2.2	12	15550	27¼	26⅞	27¼	+ ¼
28⅞	22	Rykoff s	.60	2.1	16	80	28½	28¼	28⅜	+ ⅛
23⅞	14¼	Ryland	.60	2.6	8	132	23⅝	23	23¼	− ⅜
13½	8⅞	Rymer				5	10¾	10¾	10¾	
10⅛	7¼	Rymr pf	1.17	12.		5	9⅞	9⅞	9⅞	

— S — S — S —

— X — Y — Z —

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
69	51⅞	Xerox	3	4.5	18	3377	66⅞	66⅝	66⅝	
44⅛	29⅝	XTRA	.72	2.2	14	285	33⅞	32¼	33⅛	+1⅛
38	24½	XTRA pf	1.94	7.0		10	27⅞	27½	27⅝	+1
4⅞	2	Zapata				2237	4⅛	4	4	− ⅛
25⅞	16½	ZenithE			931	757	18⅞	18½	18⅝	− ⅛
10⅞	8⅞	Zenlac	1.26	14.		288	9½	9⅜	9⅜	− ⅛
2⅛	1⅛	vjZenLb				158	1⅛	1⅛	1⅛	
21¼	15	ZenNtl	.84	4.3	9	55	19⅝	19½	19½	− ⅛
22	14⅛	Zero	.44	2.0	17	614	u22⅞	21⅝	22	+ ½
42½	21	Zurnln	.68	1.6	22	726	u43⅛	42¼	43	+1
11⅞	10	Zweig	1.09a	9.2		539	n11⅞	11⅝	11⅞	+ ⅛
10⅛	8⅛	Zweig n	.96	10.		1413	9⅝	9½	9½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices July 20

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng

OVER-THE-COUNTER

Nasdaq national market, 3pm prices July 20

Stock	Div.	Sales 100s	High	Low	Last	Chng
XL Dta s		19 245	22⅞	22⅛	22⅛	+ ½
XOMA		1017	19	18¼	18⅛	+ ⅛
Xicor		9 1244	6	5⅛	5⅛	
YelowF	.70	11 2116	29⅛	28½	28⅞	+ ⅛
ZionUt	1.44	45	26	25	26	+ ¼
Zycad		70	3	2⅞	3	+ ⅛

AMERICA

Greenspan testimony lifts Dow to post-crash high

Wall Street

TESTIMONY by Mr Alan Greenspan, *chairman of the US* Federal Reserve, before Congress yesterday was accorded a favourable reaction by financial markets, and equities extended the substantial rally to post-crash highs this week, *writes Janet Bush in New York.*

At 2 pm, the Dow Jones Industrial Average was quoted *25.74 points higher at 2,611.15,* again registering its highest levels since the crash in October 1987. Volume, which soared on Wednesday to above 200m, was again active yesterday with 121m shares traded by midsession.

It has been a very convincing performance by stocks. On Wednesday, the American Stock Exchange recorded its sixth consecutive all-time closing high. At midsession yesterday, the Amex index was marginally lower.

The Standard & Poor's 500 index was quoted 0.77 point higher at midsession at 336.50, only a whisker below its all-time high in August 1987 of 336.77. The Nasdaq Composite index was quoted 0.28 point higher at 451.51 compared with its record high of 455.26, also in August, 1987.

Mr Greenspan's Humphrey Hawkins testimony provided a favourable background to further price gains, although what he said was couched in cautious terms and only supported an already widespread view that a waning in inflation pressures is allowing the Fed a bias towards easier monetary policy.

Mr Greenspan said that a degree of slack in labour and products markets would ease inflationary pressures and that there were signs of softness in the economy. He said that most of the acceleration in prices in the first six months of this year may have been transitory and related to supply conditions in the food and petroleum markets.

There was no sign of an immediate easing in policy in response to Wednesday's smaller-than-expected gain in consumer prices in June. The Fed arranged multi-day matched sales to drain liquidity from the money market as needed.

In spite of the draining announcement, Fed Funds still slipped to 9¼ per cent, well below the Fed's apparent current target of 9½ per cent.

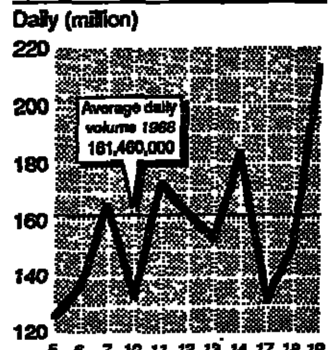
Among blue chips, IBM dipped $⅛ to $114¼, continuing this week's choppy performance in spite of earnings which were at the favourable end of analysts' expectations.

Among featured issues was Pennwalt, which plunged $6¾ to $121¾ after the Federal Trade Commission threatened to block Elf Aquitaine's proposed takeover of the company for $132 a share due to antitrust objections.

Michaels Stores jumped $1⅞ to $9⅞ on the American Stock Exchange after the company said that it had held discussions with several parties in recent weeks who were interested in a takeover.

NYSE volume

Daily (million)



Canada

APPROVAL of US Federal Reserve chairman Alan Greenspan's statement that the central bank was seeking to avoid a recession helped Toronto hold early gains at midday.

The composite index added 15.4 to 3,888.1 on volume of 19m shares.

EUROPE

Encouragement from US leads to healthy advances

ENCOURAGING comments by the Federal Reserve chairman in the US were a significant influence on bourses yesterday, *writes Our Markets Staff.*

FRANKFURT had another interesting day, with blue chips leading the market to further highs for the year. Positive comments by Mr Alan Greenspan, US Federal Reserve chairman, in his testimony to Congress helped to fuel gains.

The DAX index rose to a second 1989 peak in a row, adding 10.42 to 1,550.82, and the FAZ gained 3.41 to 635.11. Turnover was heavy at DM6.34bn.

An analyst warned that there was now an increasing danger of profit-taking, but added that he still expected the FAZ index to test the 650 level in the near future.

The banking sector drew profit-taking during the session, but came back strongly in the after-market, particularly on news of good M3 money *supply figures, said the analyst.* A rate of growth of 4.4 per cent in June was well below expectations. Commerzbank closed DM2.60 higher at DM281.60 while Deutsche Bank eased DM1.50 to DM649.

Retailers responded well to the settlement of strikes announced late on Wednesday. Kaufhof gained DM8.80 to DM531.80 and Karstadt, which predicted an improvement in second-half earnings, picked up DM11.70 to DM624.50.

Preussag advanced further on speculative activity, adding *DM6.20 to DM305. A company* mentioned as a possible buyer was MIM of Australia.

PARIS advanced in fairly quiet trading, with the CAC General index, based on opening prices, reaching an all-time *high of 491.8, against the previ*ous peak of 491.0 set on June 26 and up by 3.4 on Wednesday.

Dealers said that the market is in the middle of a traditional season in which dividends of French investment funds are re-invested; so most activity would tend to be on the buy side at this time of year.

However, they said, the market had also been encouraged *by domestic and US inflation* statistics and had been waiting for the good news it got in the Federal Reserve chairman's testimony, which pushed share prices up towards the close.

The OMF 50 index rose by *1.45 to 503.74 and the CAC 40* by 8.05 to 1,773.70.

One of the more excitable stocks was Fromagerie Bel, a perennial takeover favourite, which gained FFr100 to FFr2,025 on BSN's acquisition of the Italian foods group, Galbani. "Galbani is the first time that BSN has launched itself into the cheese business with any conviction," said a dealer, with relish, last night. BSN rose FFr11 to FFr725.

Eurotunnel moved against the trend, shedding FFr5.40 to FFr107.10, amid rumours of a *capital increase and UK press* reports of problems with Channel tunnel costs.

MADRID responded to general and particular US influences. The three US-quoted stocks – Telefonica, the oil company Repsol and the electricity utility Endessa – showed good rises and the general index rose 1.12 to 302.50.

The main domestic feature was the news that Macosa, which is converting itself into a property company, took a 4.9 per cent stake in Soto Grande, which has a luxury tourist development on the south coast. Soto Grande rose 3½ percentage points to 1,410 per cent of par.

AMSTERDAM made a quiet rise, ascribed to the buying requirements of the European Options Exchange, a thin market, and a limited rally on the US Fed chairman's remarks.

The CBS tendency index closed 1.2 up at a post-crash high of 191.3. Brokers noted that foreign buyers were almost totally absent.

KLM ended 50 cents higher, undeterred by European Commission proposals to increase competition and slash fares in *the European airline industry.*

MILAN recovered strongly at the opening from Wednesday's loss, but drifted off its highs to end slightly up. The Comit index rose 2.38 to 682.02.

Montedison, the chemical group, rose sharply to L2,461, a gain of L71 or 3 per cent. Ifil, the Agnelli holding company which has linked with BSN to buy Galbani, lost L29 to L6,901.

ZURICH also began in firm fashion, before falling from its highs for the day in an active session. Profit-taking cut gains by chemical companies, with Ciba-Geigy bearers, which had hit SFr4,220, ending SFr25 higher at SFr4,200.

Registered shares in Société Générale de Surveillance, the inspection services group, gained SFr150 to SFr5,500. The *company's top management* resigned on Wednesday.

The Crédit Suisse index gained 1.1 to 629.0.

STOCKHOLM rose to a record high in fairly active trading, helped by advances on Wall Street. The Affärsvärlden General index rose 4.7 to 1,278.1. Ericsson free Bs rose SKr4 to SKr585 after the company announced a SKr615m order from Norway's army.

OSLO was boosted by Wall Street's strong performance, the all-share index rising to close up 1.21 at a near-record level of 515.23 on moderate turnover of NKr313m.

BRUSSELS finished mixed with a firmer bias in a market running down prior to today's holiday. The cash market index rose 15.97 to 6,060.12.

Glaverbel, the glassmaker, rose BFr440 to BFr4,730 with an unusually heavy 14,100 shares traded. Sugar refiner Raffinerie Tirlemontoise continued to see active turnover, as it eased BFr30 to BFr2,340.

ASIA PACIFIC

Wall Street gains give confidence to Nikkei

Tokyo

THE CONFIDENCE that emerged from Wednesday's firm advance in Tokyo was given an added boost by overnight gains on Wall Street, and share prices posted a second consecutive rise on improved volume, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average climbed in early trading and – although buying enthusiasm ran out of steam by midday, leading the market to halve its morning gains – managed to close up 107.70 at 33,664.87. The day's high was at 33,700.94 and the low 33,584.25.

Advances outnumbered declines by 532 to 339 and 207 issues were unchanged. Turnover showed some improvement, rising to 488m shares from Wednesday's 352m, but this was still lower than the levels that Tokyo is used to seeing. The Topix index of all listed shares firmed 9.70 to 2,509.41 and the ISE/Nikkei *index, in London trading,* rose 2.34 to 2,009.83.

"Wednesday's rise had a very positive psychological effect on investors," said Mr Yoshio Shimoyama at Nikko Securities, "especially since it came after a five-day streak of losses."

The economic environment was also beginning to look brighter, with a growing conviction that interest rates had probably peaked worldwide.

None the less, it was the more daring individual investors who took what many institutions considered a brave plunge back into the market.

As a result, interest was focused on high-priced issues that offer quick gains. Among these was Fanuc, a leading electric machine maker, which added Y220 to Y6,800.

Housing issues – expected to become a significant theme, as housing will remain a priority regardless of the election outcome – continued to be selected. An article in the leading economic daily yesterday said that the Ministry of Construction had recommended *removing tax breaks on urban* farm plots to help solve Tokyo's housing problem.

Daiwa House topped the actives list with 13.1m shares and gained Y60 to Y2,270. Sekisui House was third in volume terms with 9.9m shares traded and firmed Y30 to Y2,110. Daikyo, Japan's largest condominium builder, surged Y250 to Y3,810 in active trading.

Interest in housing issues helped the OSE average surge 227.47 to 32,982.09. Volumes also rose to 61m shares from 37m on Wednesday.

Roundup

A STRONG day in the Asia Pacific region saw share prices reach their highest level for 11 months in Australia and turnover surge in Hong Kong.

AUSTRALIA surged on Wall Street and on further weakness in the Australian dollar in offshore markets on Wednesday. The All Ordinaries index rose 1.6 per cent, or 25.2 points, to 1,596.4, its highest closing level since August 25.

Currency-sensitive resource issues led the market again.

Turnover jumped to 121m shares valued at A$321m, from 81m and A$155m respectively. The market leader, Broken Hill Proprietary, closed 16 cents higher at A$9.50; it said that steel dispatches in June were 12 per cent higher than in the same period a year ago at 450,000 tonnes.

Elders IXL was another heavily traded stock, with 5.2m shares changing hands as it closed steady at A$2.99. There was speculation that Harlin Holdings, a company controlled by Elders executives, might increase a A$3 bid for Elders shares.

HONG KONG had its busiest trading in more than a month, as the market slowly gave back a sharp opening gain. The Hang Seng index slipped 4.02 to 2,543.08. Turnover soared to HK$1.42bn from Wednesday's HK$1.05bn.

The property sector, which has made strong gains recently, turned in the most marked declines. Hongkong Land fell 5 cents to HK$8.05, Hang Lung Development lost 5 cents to HK$4.35 and *Cheung* Kong declined 10 cents to HK$8.05.

Shares soared more than 45 *points on the Hang Seng index* in the first 15 minutes, following Wednesday's buoyant session and Wall Street's overnight rally. But an early wave of profit-taking washed over the rest of the session.

SINGAPORE eased marginally in active trading. The day's profit-taking was attributed largely to the technically overbought condition of the market. The Straits Times industrial index closed 3.63 lower at 1,365.39.

TAIWAN'S weighted index rose by another 155.05 points to 8,954.82 in frenetic trading, as turnover surpassed the NT$100bn mark in one month for the first time. The index has risen by 1,136.71 points, or 14.5 per cent, since Saturday.

SOUTH AFRICA

GOLD shares closed easier after recent gains but above the day's low in Johannesburg *as the bullion price edged back* up to over $370.

Elections focus attention on 'political' stocks

Michiyo Nakamoto on why Japanese investors are on the alert for sudden price rises

FIRST-TIME visitors to Kabutocho, Tokyo's Wall Street, may be startled to hear old timers talk with enthusiasm about so-called political stocks.

The phrase refers to the widely-assumed "manipulation" of shares, apparently to fatten the coffers of some politicians – or, at least, so it is alleged in the equity marketplace. In the past few years, the practice is claimed to have been widespread, partly because the market in many Japanese shares is thin, and thus it is relatively easy to influence prices.

Japanese politicians' financial needs are *immense*, as the recent Recruit bribery scandal showed, and some of the country's brokers, it seems, are not above doing occasional "favours" for politicians; alternatively, there can often be an extraordinary and happy coincidence in the movement of share prices.

With a national election campaign for half the seats in the Upper House of the Diet now under way – voting takes place on Sunday – dealers and analysts have been on the alert, hoping to detect the *emergence of political stocks* which they can ride for fun and profit. In the wake of the Recruit scandal, however, it has been necessary to be particularly discreet and the low overall volume in the market *for the past two months has* also made things difficult.

None the less, particular shares have been labelled "political" again this year. The typical pattern is that an issue suddenly starts to see a lot of activity and the price shoots up for no immediately apparent reason. A few days or weeks later, just as suddenly, most if not all of this activity dies and the price sinks back.

In most cases, it is assumed that any manipulation is *achieved by no more than* a couple of brokers who then alert – whether by nods-and-winks or more explicitly is not, understandably, quite clear – their favourite politicians on when to buy and when to sell.

In other cases, though, it is thought – and suggested widely in the local media – that politicians sometimes take advantage of insider information or arrange the "manipulation" themselves. For example, it is fairly easy for certain politicians to make it look as though a particular construc*tion company will win a public* contract, explains Mr Charles Lambert, market analyst at SBCI Securities.

As a result, brokers and investors come to expect that the shares of companies with connections to *politicians will* tend to rise at election time. They often buy the shares – and their expectations become a self-fulfilling prophecy.

The case of Aoki Construction, for example, is widely held on the Tokyo market to be a "Takeshita stock" for a number of reasons. For one thing, former Prime Minister Takeshita is said to have close ties with the construction industry in general, both as former Minister of Construction and through a daughter's marriage. And the chairman of Aoki Con*struction, Mr Hiroyoshi Aoki,* was secretary to the Chief Cabinet Secretary in 1965, a year after Mr Takeshita became Deputy Chief Cabinet Secretary.

Market watchers point to the fact that Aoki's share price surged 30 per cent between *January 1987, when it was at* Y811, and October, when it reached a high of Y1,200. At the time, former Prime Minister Noboru Takeshita was fighting for the nomination to the party leadership, which he *eventually won. Soon after he* became Prime Minister, Mr Takeshita disclosed his personal assets, which included 16,223 shares in Aoki Construction.

Some politicians do have ties with high-profile market speculators and, of course, not only in Japan. Mr Kitaro Watanabe, for example, president of the Azabu Motors group and a well-known and active player in the Japanese equity market, counts among his acquain*tances Mr Shintaro Abe*, the former Secretary General of the LDP. Last year Mr Abe acted as intermediary between Mr Watanabe and Mr Eiji Toyoda, chairman of Toyota, the automobile company when Mr Watanabe was trying to get the company to buy back shares *that he had accumulated* in Koito Manufacturing, a Toyota-affiliated car parts maker, at highly inflated prices.

The Recruit revelations, however, have made a world of difference to politicians in need *of extra funds. Sitting Diet* (Parliament) members have had to agree that they would refrain from equity trading while in office, and traders and salesmen say that there has been little evidence of stock manipulation recently. Analysts point out that the low overall turnover in recent weeks has made it more difficult to raise the necessary interest in a targeted stock and to hide one's tracks.

"This doesn't mean that political stocks have disappeared altogether," says one *Japanese salesman.* Instead of buying shares in companies with which they have ties, politicians have turned to buying more conventional issues, such as the large volume steels, says Mr Sugita.

Mitsubishi Metal is one issue that was recently considered a "political" stock, due to its stark movement. The price went up from Y960 on February 1 to Y1,250 by April 27, a rise of almost 30 per cent, and then sank to Y1,050 by the end of June. When an issue sud*denly picks up activity* like this, the more speculative investors begin to look at it as a political stock and then jump on the bandwagon, says Mr Kazuhisa Sugita, research manager at Schroder Securities in Tokyo. The timing, in *Mitsubishi Metal's case,* could be just right for the summer elections, he adds.

The need to be more discreet than before has, according to one theory, led some politicians to buy through investment advisory firms based in Hong Kong *which then place orders with* foreign firms in Tokyo.

Whatever routes are used, however, Mr Sugita thinks political stocks are bound to come to the fore again.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JULY 19 1989						TUESDAY JULY 18 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (86)	134.93	−1.3	123.52	119.99	+0.4	4.97	136.71	124.61	119.52	157.12	128.28	148.01
Austria (19)	123.95	−0.6	113.47	122.24	−0.5	1.99	124.70	113.67	122.81	127.70	92.84	85.67
Belgium (63)	131.33	−0.7	120.22	129.06	−0.5	4.24	132.20	120.50	129.75	137.10	125.58	114.65
Canada (124)	145.66	+0.6	133.35	125.41	+0.4	3.21	144.86	132.05	124.93	145.66	124.67	127.81
Denmark (36)	210.57	−0.2	192.77	211.43	+0.0	1.49	211.09	192.42	211.52	219.89	165.35	126.99
Finland (26)	139.98	−0.5	128.14	125.53	−0.5	2.17	140.65	128.20	126.22	159.16	125.81	131.35
France (127)	125.09	+0.0	114.51	126.61	+0.4	3.00	125.13	114.06	126.07	125.95	112.57	91.59
West Germany (100)	94.05	+0.7	86.09	92.99	+1.2	2.19	93.38	85.12	91.92	95.32	79.56	75.27
Hong Kong (49)	105.91	+2.0	96.95	106.10	+1.9	5.04	103.88	94.69	104.07	140.33	86.41	109.44
Ireland (17)	146.43	+0.1	134.05	146.59	+0.2	2.86	146.32	133.37	146.32	151.36	125.00	142.79
Italy (97)	91.35	−0.8	83.62	93.80	−0.5	2.39	92.08	83.93	94.28	92.08	74.97	72.00
Japan (455)	177.46	+0.1	162.46	159.23	+0.5	0.50	177.28	161.59	158.45	200.11	164.22	161.40
Malaysia (36)	190.26	+0.3	174.18	196.48	+0.2	2.44	189.71	172.93	196.03	190.26	143.35	152.05
Mexico (13)	262.79	+1.3	240.57	724.04	+1.6	0.70	259.45	236.50	712.59	277.40	153.32	159.65
Netherland (43)	125.00	+0.3	114.43	122.38	+0.8	4.23	124.62	113.59	121.43	125.00	110.63	105.65
New Zealand (22)	65.08	−0.1	59.58	61.03	+0.7	6.10	65.13	59.37	60.60	76.02	62.64	78.67
Norway (25)	190.81	+0.7	174.67	180.45	+0.8	1.42	189.43	172.67	179.06	198.39	139.92	121.82
Singapore (26)	169.05	+0.3	154.76	152.69	+0.5	1.86	168.49	153.58	151.99	169.33	124.57	130.88
South Africa (60)	148.94	−1.3	136.35	134.26	+0.8	4.01	150.86	137.51	133.24	153.27	115.35	125.30
Spain (43)	151.29	−0.4	138.50	138.45	−0.2	3.76	151.91	138.47	138.78	156.17	143.14	147.11
Sweden (35)	177.80	+0.8	162.77	170.63	+0.8	2.01	176.35	160.75	169.31	177.80	138.45	118.19
Switzerland (63)	85.21	+0.2	78.01	87.01	+0.5	2.20	85.04	77.52	86.54	86.05	67.81	79.62
United Kingdom (311)	153.44	+0.5	140.47	140.47	+0.9	4.17	152.73	139.22	139.22	153.44	133.28	133.13
USA (555)	136.69	+1.2	125.13	136.69	+1.2	3.29	135.03	123.08	135.03	136.69	112.13	110.05
Europe (1005)	126.60	+0.2	115.90	120.95	+0.6	3.41	126.29	115.12	120.19	126.60	112.63	105.77
Nordic (122)	171.29	+0.3	156.80	160.41	+0.4	1.77	170.73	155.62	159.80	174.42	137.95	113.66
Pacific Basin (674)	173.13	+0.1	158.49	155.70	+0.5	0.73	172.97	157.67	154.90	194.72	160.44	158.77
Euro−Pacific (1679)	154.65	+0.1	141.58	141.73	+0.6	1.62	154.43	140.76	140.94	164.22	141.56	137.60
North America (679)	137.13	+1.2	125.53	135.99	+1.2	3.29	135.52	123.53	134.41	137.13	112.79	111.00
Europe Ex. UK (694)	109.76	+0.1	100.48	108.93	+0.4	2.81	109.68	99.98	108.46	110.42	96.30	88.60
Pacific Ex. Japan (219)	121.18	−0.1	110.94	111.48	+0.8	4.70	121.31	110.58	110.55	137.66	111.93	127.18
World Ex. US (1876)	154.35	+0.1	141.30	141.33	+0.6	1.70	154.12	140.49	140.55	162.77	141.49	137.16
World Ex. UK (2120)	146.40	+0.5	134.02	138.65	+0.8	2.03	145.66	132.77	138.59	147.10	136.98	126.02
World Ex. So. Af. (2371)	147.00	+0.5	134.57	139.74	+0.8	2.22	146.25	133.31	138.67	147.44	136.67	126.64
World Ex. Japan (1976)	132.77	+0.8	121.54	129.87	+1.0	3.39	131.75	120.09	128.63	132.77	114.51	109.98
The World Index (2431)	147.01	+0.5	134.58	139.70	+0.8	2.23	146.28	133.33	138.63	147.47	136.68	128.63

Latest prices were unavailable for this edition.
Constituent change 20/7/89: Deletion: Newmans Group (New Zealand).